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BUSINESS WEEK

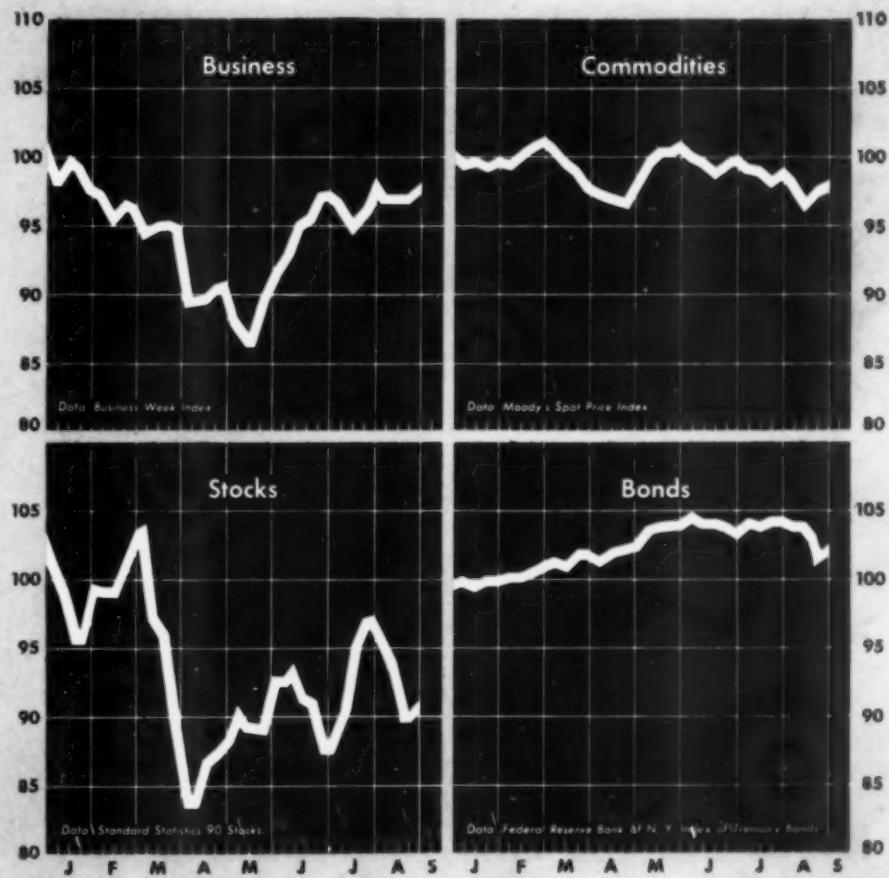
WEEK
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HOW BUSINESS IS TAKING IT

Four Key Indicators Tell The Story

January, 1939 = 100



TEXROPE INCREASES EFFICIENCY 30 to 40%!

**Equipment Manufacturer Solves Slippage Problem and
Adds 30 to 40% in Efficiency of New Machine . . . by
Using Allis-Chalmers Texrope Drives . . . the Equipment
that Pays for Itself!**

When an equipment manufacturer switches to Allis-Chalmers Texrope Drives and gives his customers 30 to 40% more efficiency on the same machine . . . that's important news . . . both for equipment manufacturers and for users!

Yet this amazing increase in efficiency is what the J. M. Nash Company, Milwaukee, got when they equipped their new "Nash 50" Automatic Turning Sander with Texrope Drives!

Gets Greater Efficiency!

Here's what Carl J. Lippold, Chief Engineer and Designer for the

J. M. Nash Company, says—

"In designing our new machine, we went to Texrope Drives to solve a former slippage problem. We now find that the new machine has 30 to 40% greater sanding efficiency than before we used Texropes. As a result of this new efficiency factor, we expect larger sales than ever before."

For More Profit!

If you are looking for greater efficiencies in your machines . . . you'll want to join the J. M. Nash Company and the hundreds of other manufacturers who are turning to Allis-Chalmers equipment to get

Another true case
from the Allis-Chalmers
files that proves "IT PAYS
TO BUY THE EQUIPMENT
THAT PAYS FOR ITSELF!"



WITH SPINDLES OPERATING against abrasives at speeds up to 3,000 rpm it was important that belt slippage be eliminated. Carl J. Lippold, Chief Engineer of the J. M. Nash Company, is shown with the Texrope Drives and Texsteel Sheaves that help him get 30 to 40% more sanding efficiency on their new "Nash 50!"

better cost-cutting performance . . . greater dollar-for-dollar efficiencies . . . in the machines they buy and sell.

Put Allis-Chalmers 90 years of experience to work for you. Get the advantage of equipment that gives the longer life, low-cost service you want . . . guards your workers' comfort and safety . . . increases your year's profits!

For the whole story on Allis-Chalmers equipment that pays for itself in the dollars it saves . . . call the district office near you, or write direct to Allis-Chalmers.

PRODUCTS ENGINEERED TO PAY FOR THEMSELVES

Electrical Equipment • Power Transmission Equipment •
Steam and Hydraulic Turbines • Blowers and Compressors •
Engines and Condensers • Centrifugal Pumps • Flour and
Cereal Mill Equipment • Boiler Feedwater Treatment •
Saw Mill and Timber Preserving Machinery • Crushing,
Cement, and Mining Machinery • Power Farming
Machinery • Industrial Tractors and Road Machinery



ALLIS-CHALMERS
MILWAUKEE - WISCONSIN

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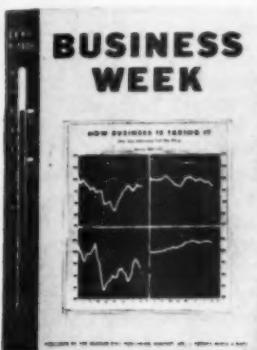
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THIS BUSINESS WEEK



As the world went through one more nerve-wracking week of adjustment to the European showdown, one significant fact stood out for American business: Industrial activity, even through the last three hectic weeks, has continued to be steady. Stocks, bonds, and commodities, however, in a characteristic war market, zigzagged all over the course. The picture presented by each of these four important key indicators of business activity appears on BUSINESS WEEK's cover. On page 15, a comprehensive story tells "What War Means to Business". On page 16, the story, "In the Warpath," appraises the direct investment of American corporations in Europe, where it is, and what it's in. On pages 13, 14, 41, 42, the interpretation, in business terms, of the last-minute news from Europe.

The News from Home

In KANSAS, the railroads are giving battle to the truckers, who have been taking on more and more shipments of petroleum products. Next week railroad freight rates on intrastate shipments of petroleum products are being cut 35%—p. 20. Food distributors are showing a lively interest in refrigerated containers which enable railroads to ship less-than-carload-lots of perishable products to small towns which are now being passed up—p. 33. How manufacturers get free plugs for their products in motion pictures—p. 26.

BUSINESS WEEK • SEPT. 2, 1939 • NUMBER 522

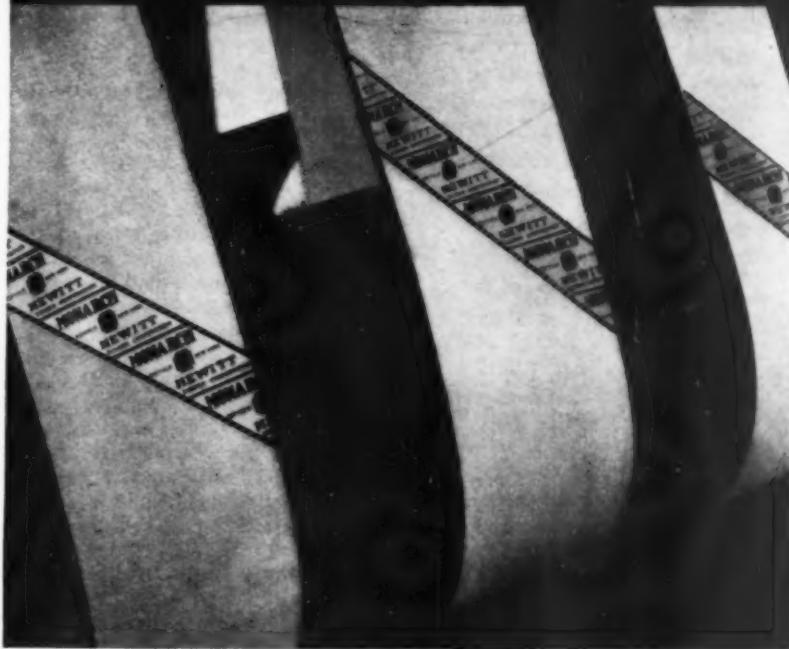
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A McGRAW-HILL



PUBLICATION

AN *Suray* ATTACK ON BELT COSTS



The 8 major features of Monarch Transmission Belt are a powerful attack on your belt costs. Monarch's flexibility, minimum of stretch, truer-running, greater traction, and the way it has eliminated usual worry over ply separation are things to boast about. There's moisture protection, too, and edge wear is drastically reduced. And there's a bonus of extra wear in every Monarch Belt, because it can be operated with either side to the pulley.

HEWITT TRANSMISSION BELTS

Just remember HEWITT Belts are made to lower your operating costs. Your HEWITT distributor will tell you about the HEWITT Transmission Belt best suited to your needs. He's listed in the classified telephone directories of industrial centers under "Rubber Goods" or "Belting".

MONARCH SENECA
SAGAMORE MOHAWK
SATURN DOGWOOD
LIGHTNING SPEED

1859

For 80 years, HEWITT Brands have been recognized as outstanding examples of advanced research and exceptional craftsmanship.

1939

HEWITT

RUBBER CORPORATION, BUFFALO, N.Y.

HOSE • CONVEYOR AND TRANSMISSION BELTS • PACKING

**SERVICES TO BUSINESS
IN NEW YORK STATE...**
"The World's Richest Market"

Example No. 9

"Dear John:

"For the prompt collection of checks and drafts on New York State points we call upon Marine Midland Banks wherever we can. This enables us to concentrate such funds quickly in our account at the Marine Midland Trust Company here in New York.

"Regarding your other question..."



► You will find Marine Midland Banks in 35 cities and towns throughout New York State. We will gladly show you in detail how to make use of their services.

The
**Marine Midland
Trust Company
of New York**

120 BROADWAY

Member Federal Deposit Insurance Corporation

NEW BUSINESS

She Stuff

M. V. C. LABORATORIES, Toledo, have a new shade of nail polish so fiery that they call it firecracker red—and they've mailed samples in imitation firecrackers.

The new spring 1940 colors for women's shoes, announced by the Textile Color Card Assn., N. Y., are: *bluejacket*, a dark navy; *airway blue*, a light navy; *turftan*, a russet shade; *malibu beige*, a neutral tone; and *burma brown*, a reddish brown.

What's New?

"AMERICA'S SAFEST RUG," offered by Kello Floor Coverings, Inc., 1319 S. Michigan Ave., Chicago, is a heavy cotton tufted rug, with a flexible rubber base containing "vacuum cups" that hug the floor . . . And this non-skid rug is washable and comes in many sizes, patterns, and colors.

"Behind the Eight Ball Cigarette Holder," offered by Distinctive Creations, 10 W. 47th St., N. Y., is a Bakelite cigarette-holder with black, white, or amber stem, and with a black "eight ball" mounted on the end.

Our Times

WE REMARKED RECENTLY that National Shawmut Bank of Boston had promoted "Pay Your Doctor Week," suggesting that patients pay their physicians and dentists by borrowing money on the bank's monthly payment plan . . . Well, California Bank, of Los Angeles, sponsored the same idea last October, and is apparently the originator of it.

Practically every kind of writing service you can ask is provided by Wallenberg & Wallenberg, 15 E. 40th St., N. Y., who supply translation services from and into all languages, advertising and printing services, illustrations for advertising and editorial matter, designs for pamphlets and letterheads, secretarial and correspondence services, the composing of publicity items, and so forth.

What is called "the largest simultaneous mass opening of service stations in the history of the oil industry" was held by the National Refining Co. in Columbus, O., on Aug. 19, when it opened 10 attractive new stations.

Adhibitions

McKESSON & ROBBINS are tying in their Calox Tooth Powder ads with the new movie, "Golden Boy," starring Barbara Stanwyck, who has given Calox a testimonial.

"In Morocco," advertises East River Savings Bank, N. Y., "it is the custom for a prospective mother-in-law to give her son's fiancee a jar of honey. Our idea of a honey is a mother-in-law who

gives the prospective bride a savings account."

The Texas Pecan Industry (Waco, Tex.) plans a three-year national advertising program and has appropriated \$200,000 for the first year.

Quenching

CHRISTIAN FEIGENSPAN BREWING Co., Newark, N. J., is now featuring its P.O.N. beer and ale in new no-deposit, non-returnable bottles; the package sells for 10¢ . . . Incidentally, P.O.N. means "Pride of Newark."

"A Cultured Beer for Cultured Tastes"—that's the slogan that another Newark firm—G. Krueger Brewing Co.—is using for its Ambassador beer.

All of Europe is a potential market for American champagne, according to still another New Jersey Company—L. N. Renault & Sons, Inc., of Egg Harbor City—who are sending a shipment of their pink champagne to England.

Sales Strut

THE NORGE DIVISION of Borg-Warner Corp. has consolidated its sales, advertising and sales promotion executive direction for all Norge Products, under Vice-President M. G. O'Hara and James A. Sterling, who becomes general merchandising manager.

Ray Trautman, president of the Minneapolis Artificial Limb Co., employs none but "handicapped" people, and they all wear devices manufactured by the company—there are 133 of them, having 166 artificial legs and arms . . . Right now the company is offering free fare to the Minnesota State Fair, "biggest in the U. S.," to anyone who buys an artificial limb.

"101 Common Mistakes in Etiquette—and How to Avoid Them," a 96-page book by Emily Post, will be offered by B. T. Babbitt, Inc., for 25¢ and one green Bab-O label.

Add What's New?

E. B. MUZZARELLI & Co., 1421 Chestnut St., Kansas City Mo., offers its new De Luxe Model Electric Direct-Draw Beer Cooler, which also holds three cases of 12-oz bottles, plus a "liberal quantity" of quart and ½-gallon bottles . . . It has a large separate insulated compartment individually cooled with 80 feet of tinned refrigeration coil.

"Filtaire," introduced by Gafford Pharmacal Co., Cleveland, is an invisible nasal filter with a set of fine mesh that is said to keep pollen, dust, and germ particles from entering the nasal passages . . . And the mesh is impregnated with a compound called Gaffredol, the vapors of which are said to shrink the mucous membrane.

WASHINGTON BULLETIN

WASHINGTON (Business Week Bureau)

Cushions against every impact of European war have been prepared by the United States government. The Treasury is set to protect government bonds from too severe a drop with a virtually liquid equalization fund of nearly two billion dollars. The Reserve Board has taken steps to prevent any crisis on the Stock Exchange or in the commodity markets that would compel closing of the exchange, as it was for four and a half months in 1914. The Securities and Exchange Commission, charged with actual regulation of the Exchange, has been working hand in glove with the Reserve Board, to determine particularly what margin requirements are safe.

Neutrality Push Ready

THE PRESIDENT is ready to call Congress in special session. First on Capitol Hill's agenda will be repeal of the embargo on the shipment of "arms, ammunition and implements of war" to belligerents. But this will take time unless German bombings should produce quickly such a fiery demand for retaliation from the country at large that the isolationist bloc would crumble up.

Isolationist leaders believe another Munich would play into their hands, but are quietly afraid they would be defeated and the embargo lifted if Hitler's airplanes run amok over London and Paris. They realize that, in their fight against intervention in European troubles they

have the country's support at present, but they also realize that the country is overwhelmingly against Germany this time and that that sentiment could be quickly crystallized against Germany by any German terrorization campaign.

Roosevelt's "I Told You So"

ROOSEVELT, meanwhile, is seizing on the situation to tell the country that he was right about neutrality, that failure to repeal the embargo is considered by every European capital as a factor in stiffening Hitler's demands, and that the solid Republican vote against him on this issue, plus the recalcitrance of a minority of the Democrats, endangered the peace of the world.

He has done his best to preserve peace, New Dealers contend, first, by demanding removal of the arms embargo to strengthen the hands of the democracies, and then by his peace notes. Responsibility must therefore be fixed, they insist, on all the Republicans and on the anti-New Deal Democrats.

Merely to keep the record straight, most of the anti-New Deal Democrats were with the President on the embargo battle, with the exception of Sen. Clark of Missouri.

The "Little Cabinet's" Chance

WASHINGTON has been alive with conferences ever since the situation became tense. Secretary of State Hull has naturally been a key figure. Most of the heads of other departments have been absent, but their assistants have carried on the show in big-time fashion.

Acting Secretary of War Louis Johnson has been the driving force for preparedness, while Acting Secretary of the Navy Charles Edison has been busy getting the navy ready for any emergency, whether for repatriating American citizens, preserving U. S. neutrality, or actual fighting.

Planes are being rushed to Panama. Troops will follow later. Canal Zone forces, curiously enough, did not figure much in general preparations till a party of junketing Congressmen returned.

Four Departments Cooperate

ACTING SECRETARY OF THE TREASURY John W. Hanes, ably assisted by Herbert Gaston, functions in the absence of Sec. Morgenthau, worries about using the stabilization fund to protect the price of federal bonds. Assistant Attorney General Thurman Arnold sits in on conferences which contemplate relaxation, not to say scrapping, of the anti-trust laws if they should interfere in the slightest with production for military needs.

Since the health of Harry Hopkins prevents his participation, Under-Secretary of Commerce Edward J. Noble has the job of planning how to bring all sorts of business—manufacturing, transportation, export into line with government needs. He is ably backed by Edward R. Stettinius, chairman of the new War Resources Board.

Even the Department of Agriculture has its worries. Wheat and sugar, not to mention meat, would solve their own surplus problems in a war, and the department's concern would be one of



Harris & Ewing

Ever since the European situation became tense, Washington has been a town of constant conference, and this has been the big chance of the "Little Cabinet," since most government department heads are out of the city—except for Secretary of State Cordell Hull, who presides at the meetings of the U. S. "Steering Committee." Left

to right (above), front row—Chief of Staff George Marshall, Assistant Secretary of War Louis Johnson, Under-Secretary of State Sumner Welles, Secretary Hull, Acting Secretary of the Navy Charles Edison, Chief of Naval Operations Harold Stark, and Assistant Attorney General Thurman Arnold.

REDUCE COAL COSTS \$628 ANNUALLY IN M. W. A. BUILDINGS

**Webster Moderator System Helps
Modern Woodmen of America to
Improve Heating Service**

HAS 6-YEAR SERVICE RECORD

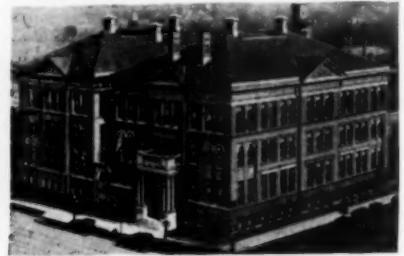
**Radiators Are Kept Mildly Warm
in Mild Weather, Fully Heated
Only in Coldest Weather**

LITTLE MAINTENANCE EXPENSE

Rock Island, Ill.—Heating costs have been reduced \$628.30 a year in three buildings of Modern Woodmen of America as the result of a Webster Heating Modernization Program.

Before heating modernization in 1933, the cost of coal for heating the Head Office and Publications Building and two smaller Modern Woodmen buildings averaged \$2,996.82 a year.

During the first five years with the Webster Moderator System, heating costs, after correction for degree day differences, amounted to \$2,368.52 a year.



Head Office and Publications Building, Modern Woodmen of America, Rock Island, Ill.

J. G. Ray, National Secretary of Modern Woodmen of America, says:

"The Webster Moderator System has given us the improved heating we desired at moderate cost and has helped to reduce heating expense."

A single valve Webster Moderator Control regulates the steam supply from the low pressure heating boilers. When the weather is not severe, there is no uncomfortable overheating or costly steam loss because the buildings receive continuous mild heat. Separate shut-off of steam to each of the buildings, made necessary by different occupancy hours, is provided by motor-operated branch valves.

Channon and Dufva Co., well known Rock Island firm, made the heating installation.



LOW COST HEATING

GET THIS BOOK . . . Read the fact stories about economy and comfort in the heating of 144 buildings. No exaggerated claims. No promises. Just 64 pages of heating results. Ask for "Performance Facts."

WARREN WEBSTER & CO., Camden, N. J. Pioneers of the Vacuum System of Steam Heating Representatives in 65 principal U. S. Cities—Est. 1888

keeping prices down, not of boosting them. For a time cotton, already groaning under the weight of its gigantic surplus and carryover, would probably still be depressed. However, clothes get rough usage in war, and cotton is the base of some explosives, so even the situation in this commodity might improve a little, given enough time.

Bureaus Also Participate

REPRESENTATIVES OF THE BUREAUS and extra-departmental offices have also had their innings in the big confabs. Max Truit of the Maritime Commission has wrestled the problems of evacuating Americans and carrying needed overseas goods. Gen. George C. Marshall, the new chief of staff who is regarded as one of world's chief experts on the movement of troops and supplies, has sat in most of the conferences at Louis Johnson's elbow. Admiral Harold H. Stark, Chief of Naval Operations, has been playing a similar role for the navy. Woodlieff Thomas and Dr. Carl E. Parry have represented the Federal Reserve Board in the absence of Chairman Marriner Eccles, while Ganson Purcell has carried the load for the SEC.

To Avoid Market Pressure

THE BIG CONTRAST with 1914 is that orderly marketing instead of stupid bargain-counter distress selling seems to be assured. German accounts have been liquidating for weeks, and will continue liquidating, not only to provide funds but against the possibility that the United States might get into war and set up another Alien Property Custodian. But the Reich's holdings are tiny as compared with 1914, when liquidation forced closing of the Stock Exchange.

Commerce Department figures show, on the other hand, that the total investments of Britain and France in the United States are nearly three billion dollars—still only about two-thirds of what they were in 1914. More than two billions is in securities, while dollar balances and other short term funds comprise most of the rest. This does not include earmarked gold, estimated at nearly a billion. Obviously, the gold would delay for some time any forced selling of securities, while the British government already has warned Englishmen not to sell. John Bull will be an orderly seller, the better to cash in profitably.

Building Up Reserves

SPECIFICATIONS for building the stock pile of strategic materials are being pushed, will be complete within a few weeks. Normal procedure would be to call for bids shortly thereafter. However, this government has no intention of paying war prices and, even more important, has no intention of competing with Britain and France for any supplies they may be buying for war purposes.

The "Bremen" Incident

WASHINGTON SUSPECTS, and the Germans angrily insist in private, that Roosevelt's holding of the *Bremen* was designed not to prevent U. S. responsibility for putting a raider on the high seas, but to provide an earnest of American sentiment—something that might be dropped in the balance on the democracies' side of the scale that would persuade Hitler to delay war. Holding of the *Normandie* and *Aquitania*, it is argued, was just to create the impression of neutrality, though others insist that both of them were held at their own request until protection of the British navy could be assured for the return voyage.

Drafting Tax Revision

HARRY HOPKINS is still determined to play a part in the next tax revision, with a view to aiding business. Two tax experts will be engaged by the Department of Commerce with a view to preparing recommendations along this line to the next Congress.

\$114.09 per Capita

TAXES, which are likely to increase steadily, war or no war, balanced budget or no balanced budget, averaged out to \$114.09 for every man, woman, and child in the United States for the year ended June 30, according to Treasury estimates, including federal, state, and municipal levies. The figure naturally is lowered by the millions on relief, non-smokers, non-drinkers, non-theater goers, and non-payers of club dues. So figure out your family's total contribution and like it—or try to.

P. S.—After all these taxes, the federal deficit alone was \$2,270,000,000.

Predicting Supply Needs

THE VOLUME of government purchases by Federal Works Agency units is to be forecast as a guide to manufacturers supplying them. The units are PWA, WPA, public buildings, public roads, and housing. Around Oct. 1, Administrator Carmody will inform a conference of industrialists of the first results of the study.

Rail Investigation Schedule

CONGRESSIONAL COMMITTEE ACTION on the pending railroad bills will be late in the autumn, perhaps December. Work of the Senate Interstate Commerce Committee on the rail forwarding investigation will begin in October or November and will cover ICC practices in general. The Senate investigation of the rail holding companies, authorized to begin at once, will also be delayed.

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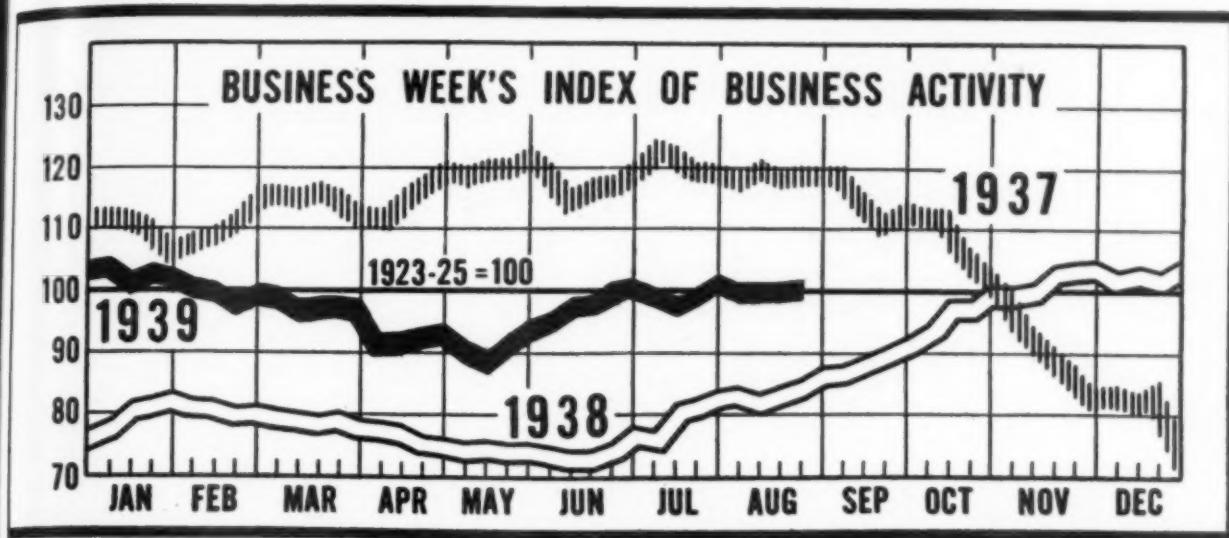
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THE FIGURES OF THE WEEK



	Latest Week	Preceding Week	Month Ago	6 Months Ago	Year Ago
THE INDEX	*101.7	†101.3	102.4	100.8	85.8

PRODUCTION					
* Steel Ingot Operations (% of capacity).....	63.0	62.2	59.3	55.8	44.0
* Automobile Production	17,465	12,955	40,595	75,660	18,700
* Residential Building Contracts (F. W. Dodge, 4-week daily average in thousands).....	\$4,407	\$4,319	\$4,571	\$3,482	\$3,417
* Engineering Construction Awards (Eng. News-Rec. 4-week daily av. in thousands).....	\$10,989	†\$10,178	\$7,975	\$10,473	\$9,627
* Electric Power Output (million kilowatt-hours).....	2,355	2,368	2,342	2,226	2,134
Crude Oil (daily average, 1,000 bbls).....	1,691	2,481	3,539	3,329	3,389
Bituminous Coal (daily average, 1,000 tons).....	1,226	†1,235	1,191	1,418	1,053

TRADE					
* Miscellaneous and L.C.L. Carloadings (daily average, 1,000 cars).....	69	68	68	62	64
* All Other Carloadings (daily average, 1,000 cars).....	44	43	42	35	35
Check Payments (outside N. Y. City, millions).....	\$3,812	\$4,128	\$3,977	\$3,284	\$3,378
Money in Circulation (Wednesday series, millions).....	\$7,098	\$7,091	\$7,002	\$6,708	\$6,470
Department Store Sales (change from same week of preceding year).....	+6%	+6%	+8%	+2%	-9%

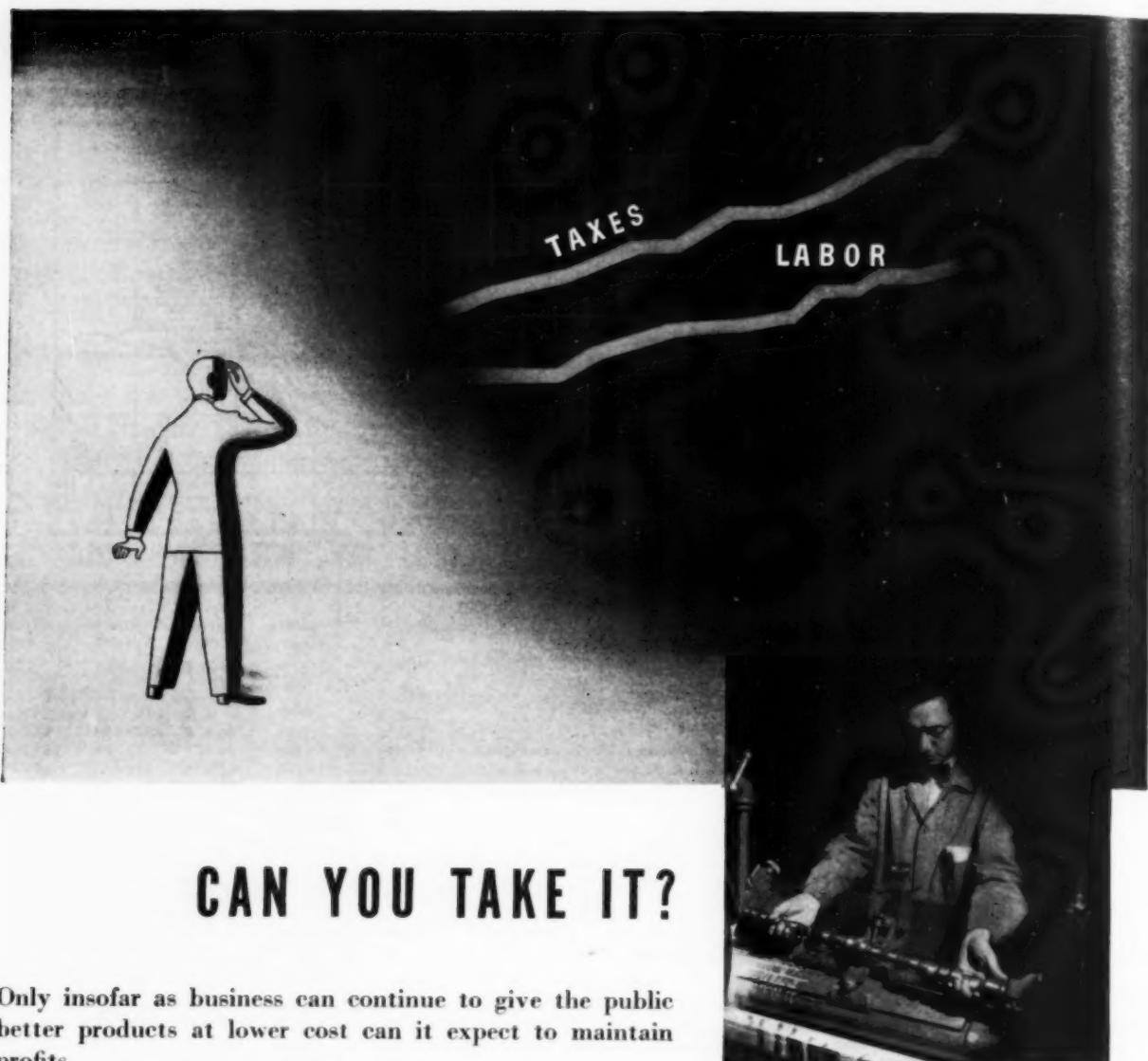
PRICES (Average for the week)					
Spot Commodity Index (Moody's, Dec. 31, 1931=100).....	140.9	140.1	141.9	144.8	143.3
Iron and Steel Composite (Steel, ton).....	\$35.98	\$35.97	\$35.87	\$36.38	\$36.50
Scrap Steel Composite (Iron Age, ton).....	\$15.62	\$15.46	\$15.17	\$15.08	\$14.50
Copper (electrolytic, Connecticut Valley, lb.).....	10.500¢	10.500¢	10.292¢	11.250¢	10.125¢
Wheat (No. 2, hard winter, Kansas City, bu.).....	80.67	80.64	80.62	80.71	80.65
Sugar (raw, delivered New York, lb.).....	2.91¢	2.83¢	2.90¢	2.79¢	2.90¢
Cotton (middling, New York, lb.).....	8.98¢	9.23¢	9.70¢	8.99¢	8.39¢
Wool Tops (New York, lb.).....	\$0.858	\$0.860	\$0.874	\$0.864	\$0.810
Rubber (ribbed smoked sheets, New York, lb.).....	16.73¢	16.70¢	16.58¢	16.51¢	16.36¢

FINANCE					
Corporate Bond Yield (Standard Statistics, 45 issues).....	5.81%	5.73%	5.58%	5.62%	5.81%
U. S. Bond Yield (average of all issues due or callable after twelve years).....	2.27%	2.17%	2.14%	2.43%	2.50%
U. S. Treasury 3-to-5 year Note Yield.....	0.53%	0.43%	0.43%	0.63%	0.72%
Call Loan Renewal Rate, N. Y. Stock Exchange (daily average).....	1.00%	1.00%	1.00%	1.00%	1.00%
Prime Commercial Paper, 4-to-6 months, N. Y. City (prevailing rate).....	½-¾%	½-¾%	½-¾%	½-¾%	¾%
Business Failures (Dun & Bradstreet, number).....	221	228	227	217	247

BANKING (Millions of dollars)					
Demand Deposits Adjusted, reporting member banks.....	17,835	17,641	17,601	16,094	15,214
Total Loans and Investments, reporting member banks.....	22,340	22,337	22,135	21,606	20,713
Commercial and Agricultural Loans, reporting member banks.....	3,938	3,912	3,899	3,768	3,890
Securities Loans, reporting member banks.....	1,157	1,195	1,209	1,319	1,216
U. S. Gov't and Gov't Guaranteed Obligations Held, reporting member banks.....	10,807	10,811	10,682	10,177	9,377
Other Securities Held, reporting member banks.....	3,355	3,340	3,259	3,249	3,119
Excess Reserves, all member banks (Wednesday series).....	4,740	4,590	4,490	3,298	2,975
Total Federal Reserve Credit Outstanding (Wednesday series).....	2,441	2,453	2,512	2,592	2,579

STOCK MARKET (Average for the week)					
50 Industrials, Price Index (Standard Statistics).....	106.3	108.0	116.9	122.2	121.9
20 Railroads, Price Index (Standard Statistics).....	25.9	26.1	29.0	31.4	29.2
20 Utilities, Price Index (Standard Statistics).....	67.6	68.6	72.3	71.4	80.1
80 Stocks, Price Index (Standard Statistics).....	89.1	89.1	96.2	99.9	97.2
Volume of Trading, N. Y. Stock Exchange (daily average, 1,000 shares).....	756	740	726	845	789

* Factor in *Business Week Index*. * Preliminary, week ended August 26th. † Revised. ‡ Date for "Latest Week" on each series on request.



CAN YOU TAKE IT?

Only insofar as business can continue to give the public better products at lower cost can it expect to maintain profits.

For the profits of today are based on production at reduced costs, which widens markets by broadening buying power, increases real wages and employment and continuously raises the American standard of living.

Reduced production costs — which offset increased costs of every other description and thus maintain earnings — are the contribution of the machine tool industry.

The best safeguard for present and future earnings is an investment in modern machine tools. You will see them, a vast assembly under one roof, at the 1939 Machine Tool Show — the machines that will make tomorrow's profits.



MACHINE TOOL SHOW

OF 1939

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BUSINESS WEEK

September 2, 1939

THE BUSINESS OUTLOOK

New orders fall off as business men redraft purchase and production schedules to meet all eventualities, just as Washington and New York get set to absorb foreign liquidation. But steel and autos are steady influences.

THE TEMPO OF BUSINESS definitely slowed down this week, though the change was not evident in the better-known statistical indicators—carloadings, steel operations, electric power output, automobile production. Indeed, the overall BUSINESS WEEK index of business activity actually rose fractionally from 101.3 to 101.7—largely the result of the upturn in automobile production. But right now the significant shifts in business are not taking place in the factories, but in offices where they are not susceptible of handy statistical measurement. White-collar workers, busy tabulating new orders, note that they haven't been coming in as rapidly as a month ago. Though there has been no serious stoppage, there has been a definite falling off.

Importers Lose Out

Since orders, after all, determine production schedules, the influence of this week's drop is bound to show up in the business indicators later on. Importers have already shifted to what might be called a war basis. The weird gyrations of the pound sterling caused many to withhold orders, speculating that they'd be able to buy British and sterling-bloc currencies—and therefore goods—at lower prices. The consequence was that few importers took advantage of the break in the pound to \$4.12, and before they could turn around, the quotation rallied to above \$4.40, a recovery of 50% of the loss from its former level of \$4.68. Exporters, too, have found their business curtailed. With foreign currencies off, purchases in this country have become more expensive, and hence less attractive for resale in European markets.

Business Plans Ahead

But these ruptures of normal commerce and ordering are hardly in sufficient volume to cause serious deterioration in business. They come under the head of temporary distractions. Business men are slowly adjusting themselves to tension, and except for specific problems arising out of interrupted commerce, the psychological effects of war and war

crises have begun to wear off. Just as there have been preparations in Washington and in Wall Street to anticipate hurried securities liquidation, so also have business men been quietly planning future purchase and production schedules. Thus, there is no such surprise element as there was back in 1914.

Steel Steadyng Influence

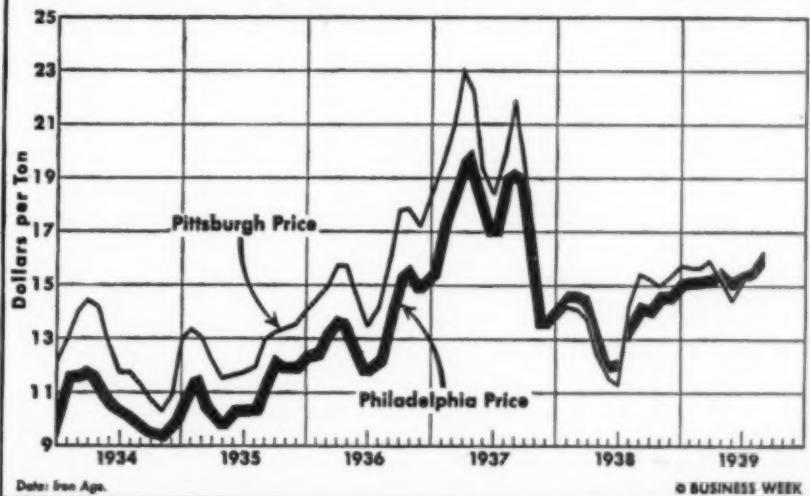
The automobile industry will continue for several weeks to be the chief support of business (BW—Aug 26 '39, p9), now that the changeover to 1940 production

has been completed by most major producers. The steel operating rate at 63% of capacity is likewise a steadyng influence. Bookings have been at a fairly high rate, new orders coming in from miscellaneous sources in unexpectedly large volume the last month. Railroad buying has begun to pick up, as the carriers contemplate freight car and locomotive requirements for 1940.

Retail Trade

So far, European developments have not slowed up retail trade markedly. Department store sales have been running along pretty much on a plateau, some 5% above last year's level. And with prices down somewhat from 1938, the volume of merchandise moving over the counter is better than the percentage change indicates. Right now, retailers

(NO MORE) IN THE OUTLOOK—STEEL SCRAP PRICES



Coincident with a report this week of a large Japanese bid for steel scrap, the price at Philadelphia jumped from \$16.25 to \$16.75 a ton, passing the Pittsburgh quotation of \$16.25. At times in recent years, scrap at seaboard Philadelphia has been above or at the Pittsburgh level, essentially because of foreign buying. But in former years, Pitts-

burgh ruled higher, and scrap prices were regarded as a sensitive barometer of the domestic steel industry. A rise indicated that mills were accumulating scrap to fill new orders. Now, however, a price advance might only mean that foreign mills were buying up available supplies. Hence, steel scrap as a barometer of business isn't what it used to be.

are anticipating the customary jump in sales that follows Labor Day. And it is significant that confidential figures reported to **BUSINESS WEEK** show a sharp rise in freight forwarder shipments these last few weeks. There are two explanations: (1) small lots of consumption goods are moving to department stores and other retailers—as is normal at this time; (2) the European unsettlement

has caused manufacturers and wholesalers to bunch orders in a rush to forestall cancellations.

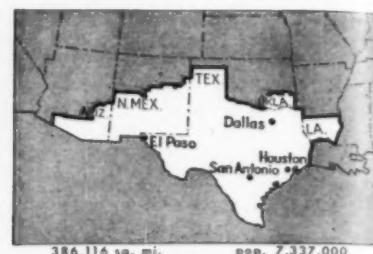
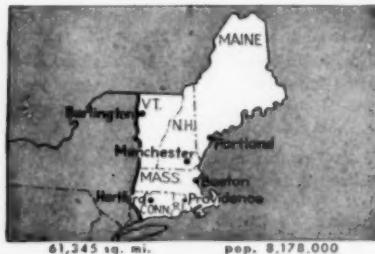
Rural Sales Off

But rural sales turned down in July, indicating perhaps that the drop in farm income is beginning to be felt. Coincidentally, also in July, agricultural receipts from marketings and government

payments were 11% lower than in the same month of last year. The drop was accounted for primarily by the smaller return from winter wheat marketings.

But income generally throughout the country is rising—because of increased payrolls and employment. And that after all, is the major influence on the immediate business outlook—apart from war.

The Regional Business Outlook



BOSTON—As was to be expected, the recovery in this dominantly consumer goods manufacturing area is leveling off. And the emphasis has shifted. Whereas in May and June the textile mills were taking on men and increasing payrolls, the brunt of expansion now falls on the machine tool and metal trades industries. It is not accident that in July, industrial activity in Rhode Island—a typical textile state—declined, while the production index in Connecticut, seat of New England's metal working factories, rose two points. Moreover, Massachusetts plants report a good demand for textile machinery, and iron and steel mills—in line with the country as a whole—are working away at a high level.

Forward Buying

This atmosphere of industrial recovery has caused conservative New England purchasing agents to loosen up a bit. Last month they shifted from a hand-to-mouth and one-month advance policy to two- and three-months buying ahead. But now European developments have arrested this more liberal tendency in a repetition of what happened here last April—when Italy took Albania and forward purchases ceased.

So far this year, retail trade has not responded to the upturn in employment and payroll statistics. Agricultural purchasing power has not fully recovered from the effects of last year's hurricane. But this year, despite drought conditions, crop prospects are good and prices are better, so merchants are fairly optimistic about fall. They point to the fact that New England's automobile sales in the first six months were substantially better than in the rest of the country, and they hope that this will be reflected in buying after Labor Day.

ST. LOUIS—The semi-annual buyers' convention last month brought more than 4,000 retailers to St. Louis—and they were in a buying mood. Orders for clothing and dry goods were 15 to 25% ahead of last year; wholesale markets in Memphis and Louisville reflected the same feeling of confidence—confidence based on underlying business improvement in this diversified and compact Reserve district.

Cotton Cash Rolls In

Current indications are that farm income this fall will be at last year's level and close to 1937. Though hog and tobacco income is off, marketings from other livestock and crops generally have been up—especially from fruits and vegetables. Since it's cotton picking time, cash is now circulating pretty freely in the South. (The crop is better than average and prices are better than a year ago.)

Arkansas, formerly a one-crop (cotton) state, is now reaping the benefits of agricultural diversification. Livestock is a developing farm industry, and more and more land is going into peaches, apples, and grapes. As a result, Arkansas is a steadier market for manufactured goods, and its current retail sales are about the best this territory has to offer in comparison with 1938.

Employment and payrolls generally have been expanding, and more wage contracts have been negotiated at higher rates of pay (*BW*—Aug 5 '39, p10). Bituminous production in southern Illinois, southern Indiana, and western Kentucky is 20% ahead of 1938—partly the result of increased industrial demand, and partly as a safeguard against a possible price boost by the Bituminous Coal Commission this winter.

DALLAS—Sentiment in this dominantly oil-and-cotton region has finally caught up with fall merchandising prospects. Two months ago, merchants were confident; now they're only hopeful.

During the first six months, exceptionally large federal benefits to cotton planters, and heavy marketing of livestock at favorable prices, kept farm income at 1937 levels and merchants bullish. Retailers figured that the new cotton crop at a price bolstered by an export subsidy would produce a better-than-average farm income this fall. But now foreign unsettlement has upset the cotton market and bad weather has put a 15% crimp in the crop, and it's even possible that government benefits will not be sufficient to shore up farm income this fall to the comparatively poor second-half levels of 1938, let alone 1937.

No Bets Yet

Fortunately, Texas manufacturing—dominated as it is by two such stable industries as petroleum refining and foodstuffs—has been a bolstering influence on this area's purchasing power for more than a year and a half. In New Mexico, firmer prices have helped the copper mines.

Continued flush production in southern Illinois is not helping the oil outlook. The shutdown has rallied the industry's statistical position, but stringent proration measures are bound to continue. Though merchants are hopeful that employment in the refining branch of the industry will not be seriously affected, they are not placing bets, as is shown by the fact that the Federal Reserve Bank of Dallas reported this week that July wholesale trade in this district was down 5% from June—slightly worse than seasonal.

Mileposts to War

Another week of crisis tightens government control over business in many countries. Diplomats maneuver to force a showdown on bigger issues than Danzig.

A LOW GRAY AMERICAN WAR VESSEL split the cold waves of the north Atlantic this week as it hurried back to Washington the last vacationing cabinet member whose holiday was cut short by the war crisis.

Secretary Morgenthau will undoubtedly be glad to be home from troubled Europe, and the Treasury Department will welcome him back on the job, but few moves have been necessary during his absence that he had not already approved in advance. It is characteristic of the present crisis that it has been so long in developing that governments and business alike have been able to lay plans far in advance for almost any eventuality.

Nevertheless, the quickening tensions in Europe had everyone in government and in business on tenterhooks. Which of their crisis programs fitted the emergency of the day? The toboggan of the British pound to \$4.12 was hardly more surprising than its almost immediate recovery to \$4.40. The Federal Reserve Board was ready with a plan, launched it at once. A committee of bankers has been named and is ready now to meet any foreign exchange crisis that may develop.

Thousands of American tourists are marooned in Europe; European governments are withdrawing liners from service to be used as troop ships. The British in one day cancelled sailing of six liners familiar to the ports of Montreal and New York. Washington, speaking through the Maritime Commission, cabled within a few hours to a dozen American freighters which happened to be in European ports to head for the channel and pick up the stranded travelers.

Counsel for Exporters

Exporters in New York met in a hurried conclave, and issued a set of warnings and suggestions to colleagues scattered throughout the country, many of them without the complete information facilities available in New York and Washington. They said: (1) As far as possible quote prices in dollars, and sell for cash; (2) beware of suave strangers who present themselves as special buying agents for foreign governments; (3) watch for export openings in the markets of South America, Africa, and Southeastern Asia, where Germany and Japan in particular, and Britain to a smaller degree, are finding it difficult to maintain deliveries of all kinds of goods within reasonable time limits.

If American business is swinging into

the rhythm of the war crisis, it is on only a small scale compared with Europe. Governments—both democratic and totalitarian—showed this week what the inexorable force of the last seven years of economic war can do in squeezing business into a crisis straitjacket.

Germany, again, is the pace-setter. Faced already with a serious shortage of meat and fats, as well as of clothing and shoes, hard-pressed Nazi authorities in Berlin in desperation ordered the Reich on a ration basis immediately. Housewives, many of them with vivid recollections of a potato and turnip diet during the last months of the World War, flocked to their neighborhood grocers to buy up supplies of items which still can be sold freely and insured their families one of the new ration cards. Germans already are told where they must work, how long, and for what wages; now they are being told what and how much they may eat.

Britain, trusting still in the ability of

its navy to control the seas, is less worried over its food supplies than over its foreign credits. London has already set up a control board which will take full charge of the \$4,000,000,000 or \$5,000,000 of foreign securities which the British are estimated to own so that they can be liquidated in an orderly fashion as they are needed.

France went on a strict war regimen last April when the Daladier government issued the basic decrees giving it full control over business and finance. With little of the fanfare of the Nazis, Paris had called up more than 2,000,000 men to man the frontiers. Only one more class of reservists remained to be called before the order for general mobilization was issued. And to expedite the evacuation of French cities and facilitate troop movements, all of the French railroads have been placed under military control.

Control Ideas Prove Contagious

Business in other nations is rapidly being swept into the totalitarianism of a war economy. Holland has ordered general mobilization. Italy inaugurated its food and gasoline system Sept. 1. Strict restriction of exports of materials which might be important to potential enemies has been ordered by Britain, the Netherlands, and Syria. United States military guards escort every liner that passes through the Panama Canal to protect the

Stalemated?



European

Along the Franco-German border run the most impregnable defenses the world has ever known—France's Maginot Line, Germany's Siegfried Line, with its concrete tank traps (above) and gun emplacements stretching mile after mile along the frontier. Back of the war of words this week, military experts speculate on what the outcome might be of a war of walls. Question: Had the Western Front been disqualified as a theater of war as history has always known it? Could any army penetrate those lines and occupy an enemy country? Had France and Germany stalemated each other on their common frontier?

great locks from possible saboteurs. Australia has decreed that all foreign exchange transactions must be handled through the government's central bank. All British vessels have been ordered out of the Baltic and Mediterranean seas, and all German vessels out of the Eastern Mediterranean and British Empire ports.

The economic developments of this critical week offer abundant support for the warning that American executives can't follow too closely the effects on business of the crisis economies of Europe (BW—Report to Executives—Aug 26 '39). Of the many diplomatic maneuvers, it is necessary to remember only four to interpret accurately what is ahead in terms of what has gone before:

(1) The Axis is definitely cracked. Japan has withdrawn. Spain is wavering in its allegiance, and British and French bribe money may be adequate to finish the breach.

(2) Italy remains a member of the Axis, but is angry and highly nervous. The tie with Berlin has never been popular with Italians. Full knowledge of this

in Nazi high authority is responsible for the mass of German secret police throughout Italy this year, and the suggestion that German troops be mixed with Italian, presumably to lend the advantage of superior training, but actually to be sure Italy is kept in line as long as the alliance is a benefit to Berlin. But, when Hitler dropped Japan, and thus forced Tokyo hastily to abandon its drive against the British in China and its threat to the Singapore region in order to protect its Soviet flank in the north, Italian morale melted like ice in the Mediterranean. Britain, as things stand now, can concentrate the bulk of her forces in Europe. Italy may yet go into a war on the side of the Axis, but it has become a question of major importance whether or not Italy will get out, if it isn't shoved out, of the Axis nest.

Kremlin? "Wait and See"

(3) The Soviet-German non-aggression pact obviously made less of an impression on the democracies than was expected in Berlin. Though German propo-

aganda sources are working feverishly to convey the impression that it is merely a prelude to an alliance, observers familiar with Moscow are content to "wait and see."

(4) Poland remains the key to the crisis in Europe. All the early moves in the situation followed the pattern of the pre-Munich days in Prague. But the difference—and it is important—is that Warsaw has the advantage of Prague's experience. And so has London.

Behind the forces that have moved so rapidly toward a showdown has been full comprehension—by the democracies now, as well as by the Axis powers—of the significance of that Hitler dictum written nearly 15 years ago: "No nation on earth holds a square yard of territory by any right derived from heaven. . . . Strength alone constitutes the right to possess." Whoever proves to be the stronger, business can look for a long period of crises just like those which have characterized the last year. And for more government controls which fit into the pattern of those already imposed.

America's Sales Stake in Europe's Future

A 19-Country Guide to a Billion-Dollar Export Market in 14 Major Products

	Raw Cotton	Raw Tobacco	Office and Business Equipment	Machine Tools	Petroleum and Products	Farm Equipment	Refined Copper	Iron & Steel Scrap	Industrial Machinery	Automobiles & Parts	Chemical & Allied Products	Electrical Machinery	Wheat	Iron & Steel (excluding scrap)
Total U. S. Production (In millions—\$000,000 omitted)	\$1,178	\$481	\$183	\$422	\$2,643	\$565	\$715	\$762	\$2,217	\$5,212	\$2,803	\$2,334	\$971	\$5,669
Total U. S. Exports (% of total production)	30.6%	28.0%	20.5%	15.2%	14.2%	13.3%	10.7%	10.1%	7.9%	6.7%	5.0%	4.8%	4.0%	3.9%
Total Exports to 19 European countries. (% of total production)	23.2%	20.1%	10.9%	9.1%	6.0%	2.1%	7.6%	4.5%	1.6%	1.8%	1.6%	1.1%	3.0%	0.8%
Total U. S. Exports (In millions—\$000,000 omitted)	\$360	\$135	\$38	\$64	\$376	\$75	\$77	\$77	\$176	\$347	\$139	\$113	\$39	\$224
% of total exports shipped to:														
Belgium	3.2%	4.1%	2.8%	0.7%	3.5%	0.3%	5.0%	1.1%	0.6%	6.2%	3.3%	1.6%	17.7%	0.5%
Denmark	0.6	1.0	0.4	...	0.7	...	1.2	...	0.1	1.7	0.4	0.1	0.4	...
Finland	0.6	0.3	1.0	0.3	0.2	0.5	0.2	...	0.2	0.7	0.3	0.3	0.1	0.3
France	12.7	5.2	10.4	7.7	7.6	2.3	13.4	0.1	1.9	3.8	4.0	2.9	1.7	0.9
Great Germany	14.7	2.2	3.2	1.6	6.1	0.5	14.9	3.0	1.0	0.3	4.3	0.5	1.9	0.4
Greece	...	...	0.1	0.1	0.3	0.2	...	...	0.2	0.2	0.2	0.2	1.8	0.2
Italy	9.2	0.3	2.3	2.6	3.7	0.8	7.2	8.7	0.8	0.1	0.9	0.7	1.3	0.7
Netherlands	2.1	4.0	2.6	1.0	4.3	0.5	2.4	3.5	0.6	1.5	2.9	1.3	20.6	1.9
Norway	0.2	1.1	1.7	0.2	0.6	0.2	0.2	0.2	0.5	1.2	0.4	0.7	0.4	0.8
Poland & Danzig	3.4	0.4	0.8	1.0	0.1	0.1	1.2	6.5	0.2	0.5	0.3	0.1	...	0.1
Portugal	0.7	1.0	0.5	0.1	0.4	0.9	...	...	0.1	1.7	0.2	0.5	...	0.6
Rumania	...	...	0.4	0.1	...	0.6	0.1	...	1.3	0.5	0.1	0.2	...	0.1
Spain	...	...	...	...	0.8	...	...	...	...	...	0.6	...	1.0	0.1
Sweden	1.6	2.3	4.2	2.0	1.7	2.4	5.7	0.8	0.7	3.9	1.7	1.5	...	2.1
Switzerland	0.1	1.0	2.0	0.5	0.1	0.1	...	...	0.1	0.5	0.3	0.4	0.3	0.1
Turkey	...	...	0.3	0.1	0.4	0.4	0.1	...	0.4	0.4	0.3	0.5	...	1.2
U.S.S.R	...	...	0.9	10.8	1.0	...	0.6	...	3.8	0.1	0.3	2.2	...	4.0
United Kingdom	26.4	48.7	19.3	30.9	10.7	6.1	18.6	20.6	7.5	4.0	11.3	9.1	28.6	6.7
Yugoslavia	0.3	...	0.3	0.1	...	...	...	...	0.2	...	0.1	...	...	...
19 European Countries	75.8%	71.6%	53.2%	59.8%	42.2%	16.1%	70.8%	44.5%	20.2%	27.3%	31.9%	22.8%	75.8%	20.7%

* Figures are for 1937; but percentages indicate current proportionate purchases of European countries.

† Since 1937, foreign machine tool orders have greatly expanded, and currently are running at 50% of U. S. output.

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What War Means to Business

ONCE AGAIN in September American business men have been faced with the necessity of forming judgments that would be good in the event of war and of trying to anticipate the inevitable industrial and market dislocations that take place in a world hell-bent for destruction, instead of production.

The business man now is at an advantage over 1914. Then war broke suddenly, almost without warning. The New York Stock Exchange closed under a deluge of European selling; there was a hectic flight of capital from the U. S.

But this time there's been ample warning. Hitler has openly built up to a crisis over a period of months. And all

GENERAL BUSINESS

Immediate effect of war is to disrupt the export and import trade, cause business managements to curtail commitments, do only the things necessary (BW—Aug 26 '39, p9) to keep their plants going—because it's so difficult to predetermine what specific effects war will have. But the 1939 war outlook has been that, after the early "freeze," after orders kept coming in for day-in and day-out domestic needs, there would be a thaw. And this time, unlike 1914, such a thaw would be rapid because there has been forewarning, because in 1939 business is not in the middle of a depression—as it was 25 years ago—but is rising from the January-May dip.

Prices—A major war makes tremendous demands on industrial raw materials—rubber, tin, oil, nonferrous metals. Already these international commodities have gone through their war paces. Agricultural products—grains, livestock, sugar, fruits and vegetables—would not benefit so much from increased consumption as from decreased production in combatant countries. Cotton, America's major farm problem, might not benefit at all because German and British mills would use less cotton.

Exports—The United States can expect, once again, to become the leading supplier of foodstuffs and clothing for a world at war—with Europe concentrating on direct war production. But legislation and blockades threaten to limit the movement of goods and profits. Trade with Germany and her allies—because of political leanings here and naval blockades—must probably be negligible. But France and England, at war, would more than compensate for this decline if it remained possible (a) to ship the goods, and (b) to meet possible legal barriers set up by Congress. And, of direct importance, European competition for South American markets must slacken in war.

Imports—Largely because of disruption of shipping, American demand may be relied on to push up war prices of rubber, tin, coffee, sugar, cocoa, manganese and other raw materials not available here or available in insufficient quantity. Credit this, not to increased requirements, but to high transportation and insurance costs.

Foreign exchange—The stabilization funds of this country, Great Britain, and France will have their work cut out in trying to smooth out the day-to-

the while American business has been getting prepared—if it's possible to prepare for war. The Federal Reserve Bank of New York has organized a Foreign Exchange Committee among bankers, and has been in contact with insurance companies, savings banks, and other financial institutions to guard against crisis sales in the bond market. Already, the Stock Exchange has discussed with Washington plans for coping with the brunt of world security liquidation.

Thus, there has not only been time for action but also time to think things over and formulate provisional conclusions on business probabilities—conclusions such as these:

day movements and give exporters and importers a chance to figure on their buying and selling operations in international markets, but the drop in sterling last week and this shows how difficult this is. The Foreign Exchange Committee aims to check any purely speculative transactions. But business men will be wise to do their figuring in dollars and to make war contracts in dollars, whenever possible.

FINANCE

Interest rates—Already U. S. Treasury bond prices have taken a sharp drop, and there will be a tendency for interest rates—which until recently have been at record low levels—to rise. If this country gets into war, then government bond prices will drop and carry the corporate bond market with them. In the world war, United States issues managed to hold at par but rates were twice as high as they are now. The Treasury, of course, will act as a market stabilizer for U. S. bonds through its trust fund purchases.

Common stocks—Initial war trend will be down. But the market already has done a good deal of discounting, and foreign governments—with the 1914 experience to guide them—are already commandeering securities of their nationals for purchases of material from American industry. After the shock is over, stocks will begin to reflect domestic conditions. Some groups, like utilities, of course will be under pressure because they are caught between inflexible rates and rising costs. On the other hand, raw materials producers stand to gain in a war. Gold mining equities would probably suffer from fears of the world abandoning the gold standard, and because profit margins would narrow as a result of the fixed price.

Rural trade—If America becomes the world's bread basket again, then farm prices are bound to rise and production to step up. In which case you can count on a demand for agricultural equipment of all types—tractors, trucks, implements. Fertilizer companies and mail order houses stand to prosper.

SOME SPECIFIC INDUSTRIES

Office equipment—Here, exports amount to from 25% to 40% of the total volume of American output. Foreign sales will be cut sharply by war but if business at home improved, there would be some compensation.

Aircraft—Even if shipments abroad are limited by legislation, volume should continue high. Rearing in this country may be expected to increase rapidly.

Steel—War means for steel heavier demands from domestic markets and undoubtedly an increase in exports. Moreover, steel stands to gain from foreign purchases of primary and secondary war materials—machine tools, trucks, tanks, ammunition, and so on. For these reasons, some investment experts regard the steel securities as the best basic bet in war time. Not directly a "war baby," the industry is definitely a "war nephew."

Oil—The American petroleum industry may find its overproduction problem solved overnight by a war. Keeping open the pipeline from the Mosul fields in Asia Minor to Europe has always been a war problem nightmare to British and French strategists. United States is a handier supplier than South America.

Foods—On domestic consumption, processors may suffer a squeeze on wartime profit margins. It's slow going to raise the price of packaged food products.

Machine tools—Current foreign takings are 50% of domestic output, and exports can be expected to continue large during a war. So can domestic orders from armament makers.

Railroad equipment—One of the first bottlenecks in wartime is transportation. American railroads are not now oversupplied with rolling stock and a war will send them to the market. Foreign orders also will probably increase, particularly in South America, where German competition will vanish.

SOME SPECIFIC COMMODITIES

Rubber and tin—The "war outlook" is for a rise in world demand but also for a costly boost in freighting suppliers from the East Indies. At not far above 25¢ a lb. rubber (now 16½¢) is due to bump into sharply increased competition with synthetics. Higher prices of tin inevitably mean redoubled efforts to find a suitable substitute in making cans, would help the glass industry.

Silk—Demand here stands to drop rather than rise in wartime. And, in war or peace, silk is up against the toughest kind of competition from synthetics.

Cocoa and coffee—Only difficulty in getting wartime shipments is likely to put these prices up very substantially. Meanwhile, consumption will be reduced.

American Corporate Stake in Europe—\$1,244,952,000*

Direct Investments by Country and by Industrial Groups

Country	Manufacturing		Distribution		Petroleum		Miscellaneous		Total	
	Number	Value	Number	Value	Number	Value	Number	Value	Number	Value
Austria	6	1,657	9	995	(1)	(1)	6	3,086	21	5,731
Belgium	22	18,304	25	1,642	9	14,374	9	480	65	34,986
Czechoslovakia	7	1,006	8	439	(1)	(1)	5	3,278	20	4,725
Denmark	8	5,943	17	2,250	4	5,474	6	111	35	13,778
Finland	4	305	4	245	(1)	(1)	5	1,060	13	1,643
Other Baltic States			(1)	(1)	4	1,312	3	389	7	1,701
France	77	77,458	55	12,600	7	40,463	25	14,153	164	145,682
Germany	87	151,480	30	20,393	11	49,993	23	5,951	151	227,817
Greece			6	5,961	(1)	(1)	5	2,547	11	8,508
Hungary	(1)	4,542	4	102	(1)	(1)	5	3,712	13	9,306
Irish Free State	(1)	(1)	(1)	(1)	(1)	(1)	7	315	7	315
Italy	26	20,435	18	3,969	(1)	(1)	13	45,777	57	70,181
Netherlands	15	9,211	16	2,627	7	6,824	5	174	43	18,836
Norway	9	13,648	9	1,143	(1)	(1)	8	11,890	26	26,681
Poland	4	101	7	1,426	(1)	(1)	10	31,973	21	33,500
Portugal	(1)	(1)	9	442	(1)	(1)	9	5,277	18	5,719
Romania and Bulgaria	5	1,579	6	1,233	(1)	(1)	10	41,120	21	45,952
Spain	23	16,328	12	1,441	6	1,373	14	61,390	55	80,332
Sweden	7	14,108	12	2,318	5	8,273	8	795	32	23,493
Switzerland	10	4,085	13	1,600	(1)	(1)	6	2,850	29	8,634
United Kingdom	224	270,745	124	81,486	11	60,572	52	61,327	411	474,130
Yugoslavia	(1)	(1)	(1)	(1)	(1)	(1)	10	3,190	10	3,190
Grand total ²	543	611,383	393	144,223	96	274,944	198	214,402	1,230	1,244,952

* Latest data available—1936.

¹ Included under "Miscellaneous". ² The column totals include number and value for those items covered by footnote 1, which items, of course, are not included in the total for "Miscellaneous".

By Major Corporations—Country by Country

England	Underwood-Elliott-Fisher United Shoe Machinery Woolworth Yale & Towne	Italy
American Radiator American Tobacco Armstrong Cork Bucyrus-Erie Burroughs Adding Mach. Chrysler Colgate-Palmolive-Peet Continental Can Corn Products Refining Crane Co. Crown Cork Du Pont Eastman Kodak Electric Storage Battery Firestone Tire Ford General Motors Gillette Safety Razor Goodrich Tire Goodyear Tire Henzl Ingersoll Rand International Nickel International Tel. & Tel. Loew's Monsanto Chemical National Biscuit National Cash Register National Lead Otis Elevator Parke Davis Patino Mines Remington Rand Socony Vacuum Sperry Corp. Standard Oil (N. J.) Hiram Walker Union Carbide Woolworth Yale & Towne	American Radiator Armstrong Cork Burroughs Adding Mach. Corn Products Refining Crane Co. Crown Cork Du Pont Eastman Kodak Gillette Safety Razor Goodrich Tire International Business Machines International Harvester International Tel. & Tel. National Lead Otis Elevator Socony Vacuum Standard Oil (N. J.) Union Carbide United Shoe Machinery	Aluminium, Ltd. American Radiator Corn Products Refining International Business Machines Otis Elevator Socony Vacuum Standard Oil (N. J.) Union Carbide
France		Sweden
American Radiator Armstrong Cork Burroughs Adding Mach. Corn Products Refining Crane Co. Crown Cork Du Pont Eastman Kodak Gillette Safety Razor Goodrich Tire International Business Machines International Harvester International Tel. & Tel. National Lead Otis Elevator Socony Vacuum Standard Oil (N. J.) Union Carbide		International Harvester Socony Vacuum Standard Oil (N. J.) Union Carbide
Poland		Poland
Anaconda Copper Socony Vacuum Standard Oil (N. J.)		Anaconda Copper Socony Vacuum Standard Oil (N. J.)
Eire		Eire
Electric Storage Battery Socony Vacuum Standard Oil (N. J.) Woolworth		Electric Storage Battery Socony Vacuum Standard Oil (N. J.) Woolworth
Hungary		Hungary
Eastman Kodak International Tel. & Tel. Socony Vacuum Standard Oil (N. J.)		Eastman Kodak International Tel. & Tel. Socony Vacuum Standard Oil (N. J.)
Belgium		Czechoslovakia
American Radiator Armour & Co. Atlantic Refining Chrysler Corn Products Refining Crown Cork International Tel. & Tel. Otis Elevator Socony Vacuum Standard Oil (N. J.) Union Carbide		Corn Products Refining Socony Vacuum Standard Oil (N. J.) Yale & Towne
Norway		Norway
Aluminium, Ltd. National Lead Socony Vacuum Standard Oil (N. J.) Union Carbide		Aluminium, Ltd. National Lead Socony Vacuum Standard Oil (N. J.) Union Carbide
Denmark		Denmark
Socony Vacuum Standard Oil (N. J.)		Socony Vacuum Standard Oil (N. J.)
Finland		Finland
Socony Vacuum		Socony Vacuum
Rumania		Rumania
International Tel. & Tel. Socony Vacuum Standard Oil (N. J.)		International Tel. & Tel. Socony Vacuum Standard Oil (N. J.)
Jugoslavia		Jugoslavia
Socony Vacuum Standard Oil (N. J.)		Socony Vacuum Standard Oil (N. J.)

In the Warpath

American investments in Europe's industry are heaviest in Germany, France, and England

AMERICAN investors this week were busily studying security manuals and Dept. of Commerce reports to see how deeply their corporations are involved in what's going on in Europe. They found that American business has a \$1,244,932,000 investment stake in 1,200 industrial establishments there, ranging from retail stores in England, to motor manufacturing in Germany, to zinc mines in Poland, and agricultural machinery in France. This investment in property and manpower in Europe is 18.6% of the total foreign investments of American corporations, and is the second largest stake (next to \$1,952,000,000 in Canada and Newfoundland) of this country abroad.

Industrially, the biggest sum is in manufacturing—543 plants, valued by the Department of Commerce (in 1936) at \$611,383,000. The petroleum industry is next, with direct investments of \$275,000,000. Distribution ranks third, comprising 11% of the American capital in Europe. Public utilities and mining were less important—\$89,000,000 and \$43,000,000 respectively.

As is to be expected, these investments are pretty well concentrated in the heavily industrialized nations—Germany, France and England. The combined investment in these countries comes to \$847,630,000.

England gets the largest total—847,000,000, in 411 establishments. These include the British Ford, a Chrysler subsidiary, the largest foreign plant of Eastman Kodak, and factories of Monsanto Chemical.

Nazi Policies Pull Down Value

Germany is next—151 establishments, \$227,817,000 in value. But since these figures were gathered, the Reich has absorbed Austria and parts of Czechoslovakia. At the same time, the Nazis' blocked-mark way of dealing with foreign companies and foreign exchange has substantially impaired the value of foreign investments there. So the Department of Commerce total of \$238,000,000 for the three formerly separate countries must be set down as "somewhat inflated." Best known American investment in the Reich is General Motors' Opel works.

Investments in France, comprised 164 plants valued at \$145,700,000. Among the well-known companies there are International Harvester, Gillette Safety Razor, the Crane Co., and Union Carbide & Carbon.

Anaconda Copper Mining Co. is in a ticklish spot. It has a substantial interest in zinc properties in Upper Silesia, which was ceded to Poland after the World War. Hitler has his eyes on that territory.

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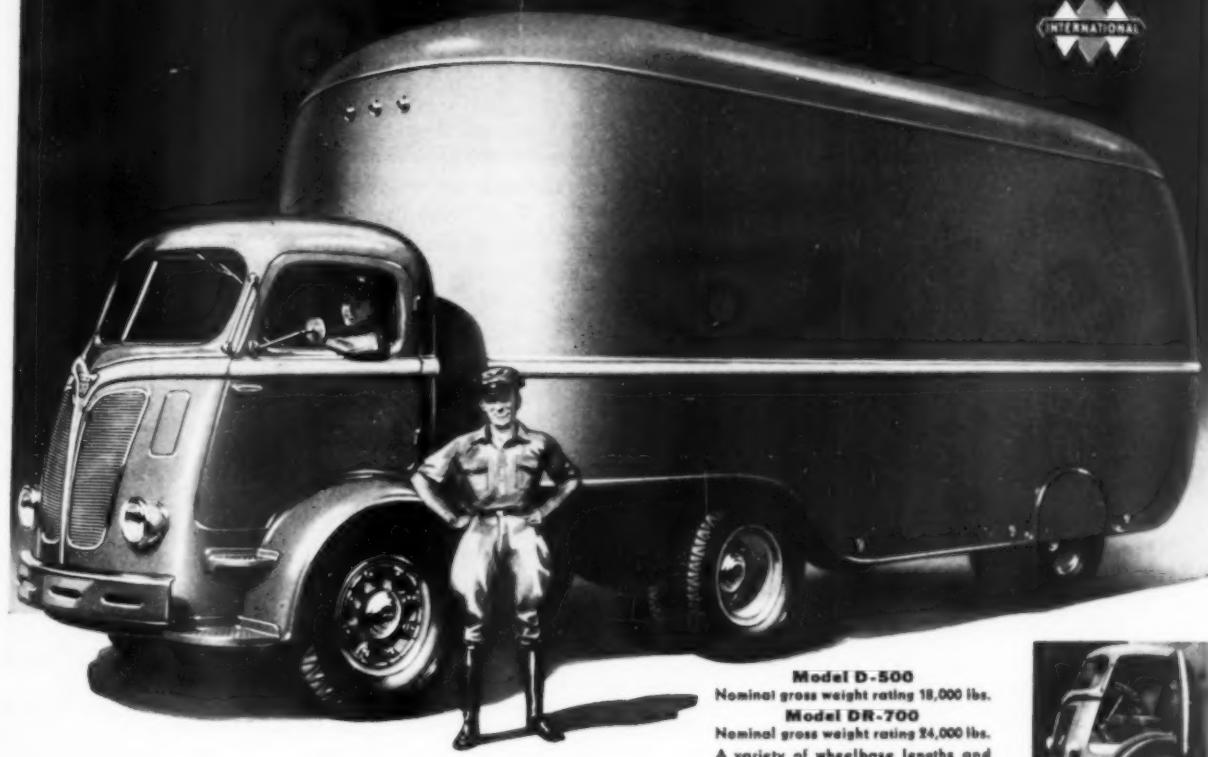
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New! BIG Beautiful CAB-OVER-ENGINE TRUCKS



Model D-500

Nominal gross weight rating 18,000 lbs.

Model DR-700

Nominal gross weight rating 24,000 lbs.

A variety of wheelbase lengths and three types of final drive.



Here's a first view of the new International heavy-duty cab-over-engine trucks! International Harvester brings you a product of new and superior design—a new high in cab-over-engine efficiency—a traffic-type truck that will soon be the talk of the industry.

STYLING and LINES—let this picture and your first sight of the trucks themselves be Exhibit A.

BASIC DESIGN—the International Models D-500 and DR-700, like the popular D-300, are true engine-under-seat units, engineered from stem to stern for full cab-over-engine efficiency. Ideal $\frac{1}{2}$ - $\frac{2}{3}$ load distribution, for tractor or straight truck operation.

DRIVER COMFORT, EASY RIDING, VISION, SAFETY—a genuine surprise is in store for every man

who takes the wheel and tests the superb spring-suspension in these new trucks.

ACCESSIBILITY—all minor repairs easily handled through floor and from underneath. Major overhaul made surprisingly easy.

MECHANICAL EXCELLENCE—by International Harvester.

Inspect and drive a D-500 or DR-700 yourself—or assign your most experienced driver to a test-tryout. Put the truck through its paces and compare it with all competition. Then render a verdict as frankly as you like. What we mean is—we've really got something here in these new cab-over-engine Internationals! See the nearest International Dealer or Branch.

INTERNATIONAL HARVESTER COMPANY
INCORPORATED
180 North Michigan Avenue

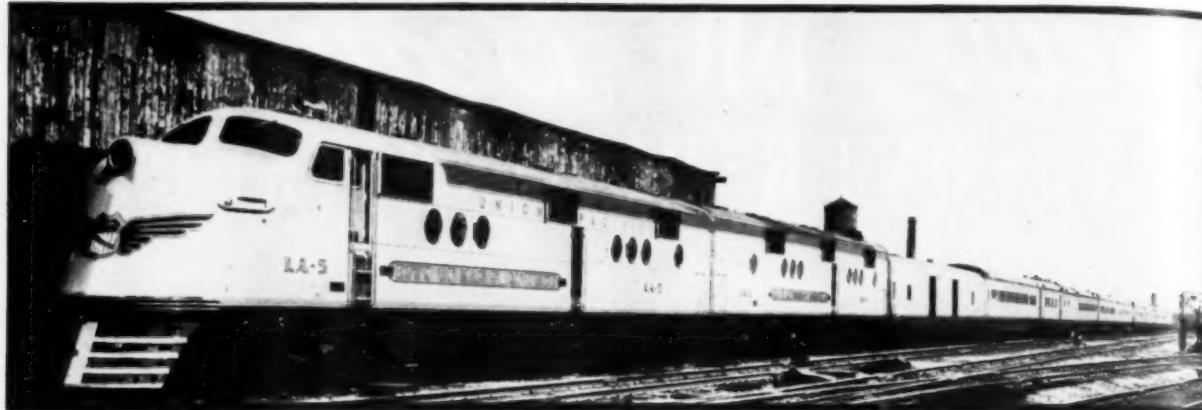
Chicago, Illinois



New vision, maneuverability, and safety ride with the operator of these new cab-over-engine Internationals. Perfectly placed controls and wide view of the road give a new and genuine sense of comfort and efficiency.

INTERNATIONAL TRUCKS

The Railroads Take Up a Collection for the "City of San Francisco"



When the "City of San Francisco," 17-car crack streamliner jointly owned by and operated over the Chicago & North Western, Union Pacific, and Southern Pacific, was wrecked last month, travelers wondered how the service could be replaced without long delay. Last week this equipment supplied the answer. The U.P. had a spare diesel two-car power unit on hand, also supplied a baggage car, a coach and a diner. The C. & N.W. pro-

vided an observation lounge from its "Treasure Island." The New York Central lent three room-cars from its "Twentieth Century Limited." The Pennsylvania lent three from its "Broadway Limited." Hurriedly repainted and relettered in the familiar yellow and brown, the temporary train composed of 12 cars pulled out of the Chicago station last week with more than one hundred passengers, on its first run.

Plan to Rule Investment Advisors

Both Securities and Exchange Commission and Investment Counsel Association indicate that regulation is coming. But how much and how fast?

FROM THE SECURITIES AND EXCHANGE Commission and the Investment Counsel Association of America have come, within the last few days, carefully prepared reports which point definitely to nationwide regulation of investment advisors. The method of that regulation and the specific rules, however, are still a long way from formulation.

The problem, at bottom, is that there are all sorts of organizations and all kinds of people calling themselves investment counsel. The SEC and the association agree particularly that the fringe of tipsters should not be allowed to use the name. Then comes the large group whose investment advice partakes in large measure of crystal-gazing. These market guessers or trading advisors undertake to call the swings of the stock market. And, finally, there are those firms which undertake to maintain very high standards of advice and of conduct. These feel that they alone merit the designation of investment counsel.

There are perhaps 3,000 to 4,000 individuals, partnerships, and corporations which fall into one or another of these categories—but a couple of dozen handle the cream of the business. Their abilities, financial stability, and backgrounds are diverse. And they oversee billions of

dollars of investment money. As BUSINESS WEEK pointed out in a series of articles in September and October, 1936, the regulatory authorities faced a really extraordinary job if and when they undertook to govern the field of investment counsel.

The SEC last year dipped into the investment counsel situation as a phase of its investment trust investigation and has now published a factual report (recommendations, if any, will come later) on the hearings. And the Investment Counsel Association, knowing that the SEC report was on the fire, put the finishing touches on the report of its special committee for the study of qualifications.

Points Where Ideas Converge

These two documents take note of the damage done by the tipsters and crystal-gazers: they cite the dangers inherent in affiliation of an investment counsel firm with any other firm which has something to sell; they call attention to the lack of financial requirements and the infrequency of independent audits; they dwell upon the fact that there are no minimum requisites of capital, business experience, or education; they cast doubt upon the desirability of advisors acting as cus-

todians of a client's funds and securities or of actually managing his market transactions.

On those points there is little enough disagreement among qualified counsel. And the SEC notes quite pointedly that the Investment Counsel Association agrees with the commission that the problem is national in scope and that it requires nationwide solutions.

Due to this agreement in broad principle, the following statement of the association's special committee attracts more than casual interest: "We have seriously considered the advisability of recommending registration or licensing, and even examinations under the auspices of the Securities and Exchange Commission or by the banking departments or other suitable agencies in the various states."

This suggestion could conceivably pave the way for federal registration and formation of self-governing regional or national associations with rigid requirements as to eligibility and continued membership. The association's committee warns, however, that "until qualifications and practices of the profession have become better clarified through experience it would be inadvisable to attempt any kind of intensive regulation."

At the same time, the committee's recommendations go a long way toward clarifying "qualifications and practices."

And all this sweetness and light between the SEC and the select handful of counsel firms stems from the profession's desire to regulate the unethical brethren—to the point of extinction if necessary.

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How do you arrive at the cost of life insurance?

ALOT OF PEOPLE ASK THE QUESTION, "How do you figure out what my life insurance will cost me?"

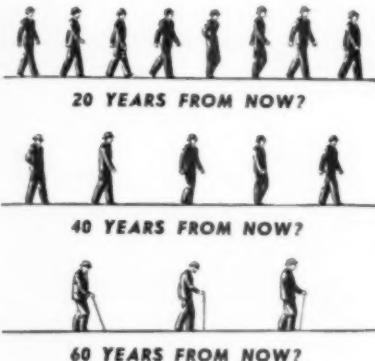
As you may know, life insurance calculations are made by Actuaries—men skilled in the science of life insurance mathematics. But you don't have to be an Actuary to understand the basic facts about the cost of life insurance.

Three factors enter into the cost of life insurance. They are: (1) *mortality*; (2) *interest*; (3) *expense*.

First, let's take up *mortality*.

In insuring a group of people of a given age, a life insurance company must be able to approximate how many of the group will die each year—and, hence, how much money will have to be on hand to meet the claims that will fall due each year.

How many will be living...



Knowing approximately how much money will have to be paid out in death claims each year is an important factor in figuring the cost of life insurance.

To determine this, the company uses a mortality table adapted to the type of risk represented—a table which is based on the number of actual deaths as experienced in past years in similar groups.

The company could, of course, collect just enough money in premiums each year to pay the claims expected for that year and to cover the cost of doing business for the policyholders. But this has not proved a satisfactory method in the past.

As adults in a group insured at a given age become older, the death rate increases. Hence, the claim rate also increases. Obviously, the number of people in the group left alive to pay those claims constantly decreases... and the cost to the

survivors eventually would become prohibitive.

A life insurance company, therefore, works out a "level" premium to be paid by each member of the group each year. This "level" premium amounts to somewhat *more* than is necessary for claims in the early years, when the death rate is low... and somewhat *less* than is necessary in later years, when the death rate is high.



Most of a life insurance company's money is busily at work earning interest from diversified investments—one type, for example, is first mortgages on desirable apartment buildings. This interest helps to pay for your life insurance.

Two things are done with the money collected in early years. First, the company pays current claims. Then it sets aside a "reserve" fund so that in later years, when premium collections are *less* than is necessary to pay claims, money will be on hand to make up the difference. This "reserve" is scientifically calculated and is required by law. It assures the policyholder that his premium will not increase as he grows older.

If the company did not accumulate this reserve, it could not maintain the level premium. Nor would it have the funds to pay cash, loan, or other non-forfeiture values available under legal re-

serve life insurance policies.

This reserve is not held as cash in the vaults. It is invested to earn *interest*, which is the second factor entering into the cost of life insurance. When calculating the premium to be paid, the company assumes the obligation to add interest to the reserve each year during the life of the contract at a definite rate... and thus enables the policyholder to pay a lower premium than he would otherwise have to pay.

The third factor to be taken into account is *expense*—the cost of doing business for the group insured. This cost includes taxes, maintenance of office and field force, and the expense incident to all the transactions that are necessary each year.



This is one of the automatic check-signing machines at Metropolitan. More than 7,000,000 checks in payment of obligations to policyholders and beneficiaries were issued in 1938.

These are the basic principles involved in computing life insurance premiums. And Metropolitan does just what you would do... if you had to provide for something to be delivered in the future, perhaps 2,000 A.D. It figures *conservatively*, allowing a margin for contingencies. Then, if the cost of life insurance does not turn out to be as much as was assumed, the difference is paid or credited annually to the policyholders as dividends.

COPYRIGHT 1939—METROPOLITAN LIFE INSURANCE COMPANY

This is Number 17 in a series of advertisements designed to give the public a clearer understanding of how a life insurance company operates. Copies of preceding advertisements will be mailed upon request.

Metropolitan Life Insurance Company
(A MUTUAL COMPANY)

Frederick H. Ecker, CHAIRMAN OF THE BOARD • Leroy A. Lincoln, PRESIDENT

1 MADISON AVENUE, NEW YORK, N. Y.



Gas Truckers Hit Rail Rate Cut

Kansas commission authorizes 35% reduction in tariff on petroleum products. Texas and Oklahoma may do likewise. Truckers fear ruin.

AT A DOZEN widely separated points in the Mid-Continent oil fields, groups of worried owners of petroleum transport trucks held meetings this week to solve a common problem that threatens their very existence. Early last month the Kansas Corporation Commission, over protests of the Kansas Motor Carriers Association, approved a joint application made by the railroads to reduce freight rates on intrastate petroleum shipments 30% to 45%, the average reduction being 35%. The rates become effective next week. The truckers have ample reasons for getting excited about the Kansas rate schedule, since it is undoubtedly a forerunner of many drastic freight reductions, both intra- and interstate, on petroleum products—the most important freight traffic originating in the Mid-Continent territory.

While the new rate schedule for Kansas, as well as those pending in Oklahoma and Texas, applies to all petroleum products, including fuel oil, naphtha, and kerosene, there is only one important product to transport truckers—gasoline. The rails, as far as truckers are concerned, are welcome to all traffic in the heavier fuels which, incidentally, enjoy much lower freight rates; but take gasoline shipments away from the highway tankers, and they are virtually sunk; their truck bodies are not practical for any other type of hauling.

"Danger" from Southwest

By aligning themselves with the railroads, Kansas refineries, according to Charles W. Steiger, former secretary of the Kansas Corporation Commission, now legal representative of several groups of Midwestern motor carriers, are taking a short-sighted view of the gasoline rate war. Just as soon as the new intrastate schedule becomes effective, said Steiger, the majority of transport owners who have been doing intrastate trucking from Kansas refineries will flood Kansas with cheap gasoline which they can afford to haul from Oklahoma and Texas because of differentials in refinery markets prices.

Beneficiaries of one proposed interstate petroleum rate schedule (which will effect savings on gasoline from $\frac{1}{2}$ to $\frac{1}{4}$ ¢ per gallon on shipments from the Mid-Continent area) include gasoline marketers in the so-called Central Freight Association territory, which includes all or parts of Illinois, Indiana, Ohio, Michigan, West Virginia, Pennsylvania, and New York.

Another application has been filed for proportionate reductions to all points served by Standard Oil of Indiana. While the above intrastate applications have been filed by the Petroleum Rail Shippers Association, it is understood that the rails see eye to eye with them on this occasion.

So far about the only satisfaction received by Kansas gas transport operators from the Corporation Commission is an announcement that it will listen to the truckers' side of the case as soon as both rails and trucks have had at least 30 days' experience under the proposed schedule. Approximately 400 gasoline transports are registered with K.C.C.

Railroad gossip has it that the present concerted drive against gasoline transports was scheduled for last summer but was checked when pipeline folks intimated that any unreasonable low rail rates on petroleum products would call for proportionate reductions by pipeline companies. In the meantime petroleum marketers and refiners somehow sold the pipeline people on the idea that gas transports were largely responsible for retail price-cutting practices. The whole dealer situation would be improved, they

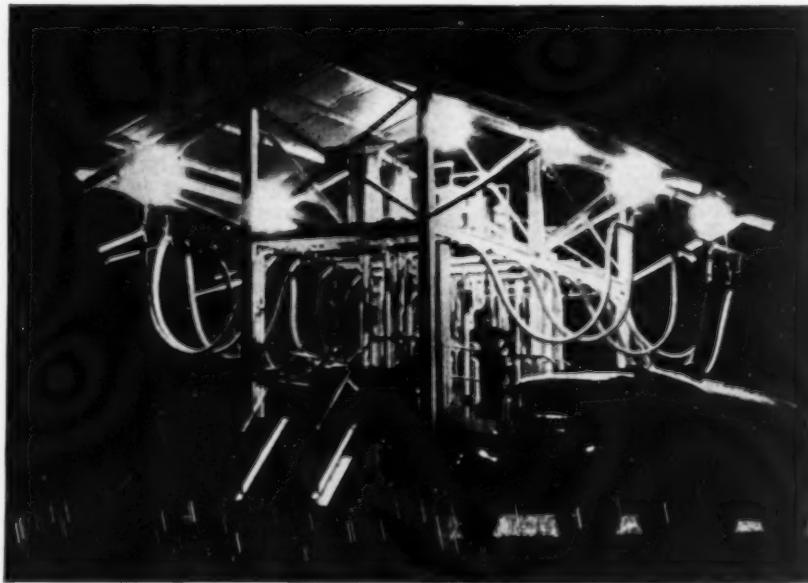
argued, without highway tankers in general and contract carriers in particular. Now, apparently, the pipeline people are not taking any chips in the current rail-truck war.

Worst trouble-makers in the transport field, according to the marketers' viewpoint, are contract carriers, many of whom are simply itinerant truckers. At skimming plants or from certain independent refineries, they load up an unbranded gas of questionable octane rating and start out on uncharted trips peddling gas to cut-rate stations along the highway. By selling direct, itinerant peddlers are able to deliver gas at least 2¢ less per gallon than local dealers are able to do when servicing their outlets through bulk stations.

No Gas for Peddlers

Following a practice which the major oil refineries have adhered to for many years, several independent refineries last week posted notices at their transport filling racks stating that hereafter gasoline would be sold only for delivery to authorized dealers who had contracted to handle their entire line, including lube oils. In other words—no gas sold to itinerant peddlers.

Many towns have recently passed ordinances prohibiting the unloading of transports except at bulk plants, which, because of fire hazards, are usually located in restricted districts. Hence much transport gas is peddled to cut-rate stations just outside city limits, with the result that many border price wars develop and eventually spread throughout the town.



Socony-Vacuum's pipeline terminal at Topeka, Kansas, burns the midnight oil in order to load all the transport trucks which roll in to be filled, as truckers take on a steadily

rising share of gasoline shipments. Railroads are fighting that trend though; in Kansas next week there will be a 35% slice in freight rates on intrastate petroleum shipments.

Amoskeag Comeback

Manchester, N. H., has 62 diversified companies on the site of huge textile firm.

THE RESCUE SQUAD of business men which undertook to revive the properties of Amoskeag Mfg. Co. at Manchester, N.H., reports that breathing now is regular and that recovery is assured.

When the company, once the world's greatest producer of cotton textiles, gave up the ghost and closed its doors to employment in December, 1935, the community refused to admit that a funeral was necessary. Instead (BW—Apr 17 '37, p29) business leaders organized Amoskeag Industries, Inc., to take over the properties and dispose of them to smaller, diversified companies which would restore jobs and payrolls. Employment still is short of the 17,500 workers at Amoskeag in the roaring 20's but the city is no longer dependent on a single enterprise subject to all the afflictions of giantism and of the textile industry.

Cotton Textiles No Longer King

Thanks to Amoskeag Industries, the 1½-mile plant is now inhabited by 62 concerns which occupy 60% of the 6,800,000 sq. ft. of the productive area. Their annual payroll is \$3,500,000 and they have 4,000 workers. Up to Aug. 25, Amoskeag Industries had sold 3,554,026 sq. ft. and had leased an additional 529,524 sq. ft.

The vagaries of cotton textiles no longer dominate the city's destiny. Diversification now includes shoes, cheesecloth, bandages, tires, motors and machinery, metal abrasives, clothing, fine rayons, dyeing, metal stampings, electrical instruments, thread, worsted, mohair yarns, cutlery handles, toys, coffins, soup, and other items. Among the articles stored in the buildings are food products, tonics, drygoods, building materials, heating and air-conditioning equipment, wool, leather, paper.

New Companies Create Work

Since Amoskeag Industries took over the plant for \$5,000,000, no additional financing has been necessary. Operating expenses (about \$1,000 a day) have been met by sales of real estate or of machinery no longer needed. A substantial part of the original investment has been paid off. Four new organizations (two spinning and two weaving companies) have been formed. These utilize existing machinery and create jobs for many surplus textile workers. Local banks financed these companies which are expected ultimately to take over the obligations of Amoskeag Industries.

Excess real estate is being liquidated. A number of tenement properties outside the millyard have been sold for commercial development. Large tracts have been opened for residential building.

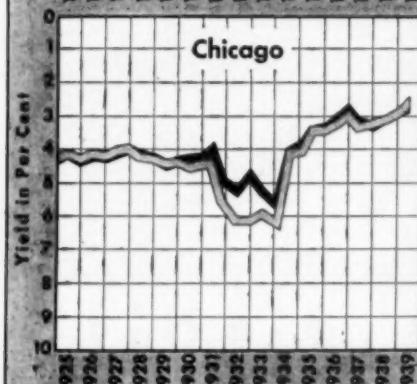
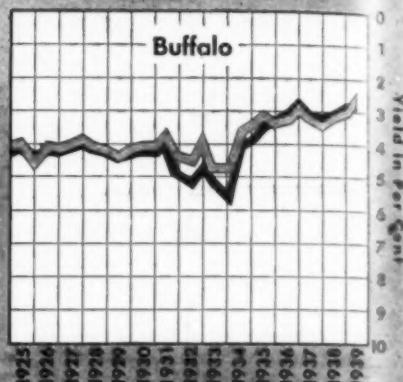
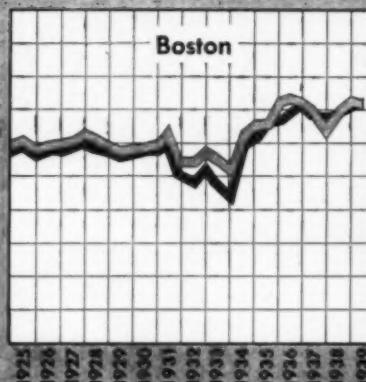
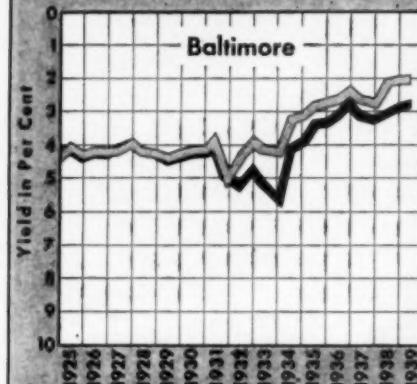
Transportation speeds on to new laurels. Yesterday's records are mere targets for today's endeavors. And to **SKF**, pioneering specialist in the production of ball and roller bearings, has fallen the major part of the task of supplying the anti-friction bearings that not only make high speeds possible but safe. On land, on sea and in the air, transportation checks wear with **SKF** Bearings. **SKF** Industries, Inc., Philadelphia, Pa.



SKF BALL AND
ROLLER BEARINGS

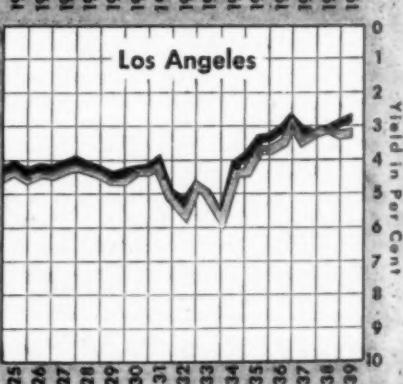
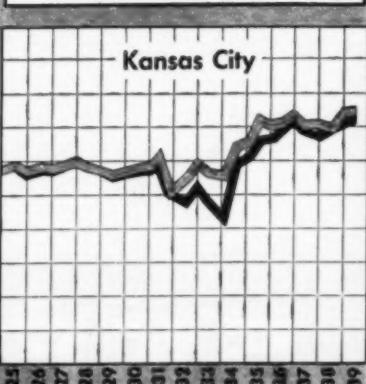
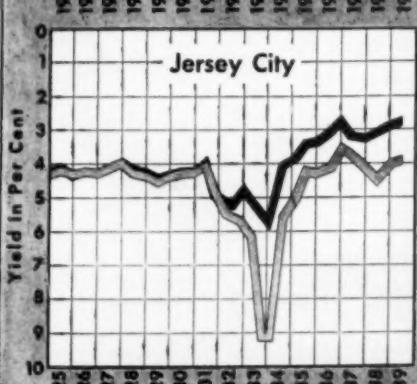
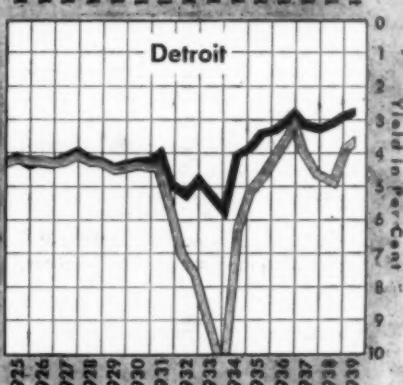
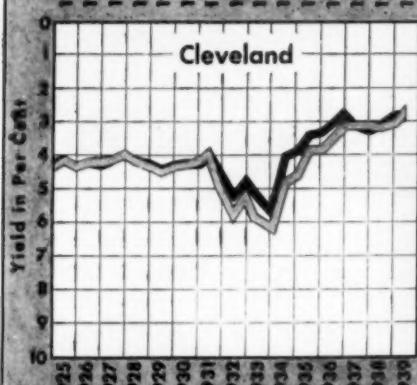
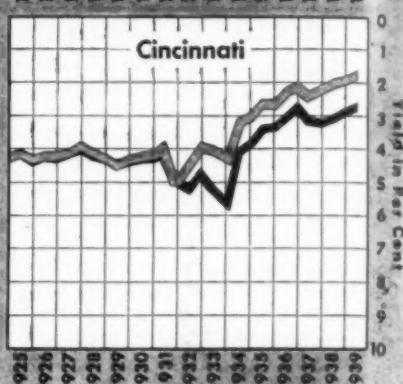
A TALE OF TWENTY AMERICAN CITIES —

Individual city —
Average of 20 cities —



The City Rankings — 1925

BOSTON	3.95%
BUFFALO	
PHILADELPHIA	4.10%
PITTSBURGH	
CHICAGO	4.15%
ST. LOUIS	
CINCINNATI	4.15%
KANSAS CITY	
MILWAUKEE	4.20%
MINNEAPOLIS	
NEWARK	4.20%
NEW YORK	
BALTIMORE	4.35%
CLEVELAND	
DETROIT	4.40%
JERSEY CITY	
NEW ORLEANS	4.45%
SAN FRANCISCO	
SEATTLE	4.45%
LOS ANGELES	
AVERAGE	4.16%



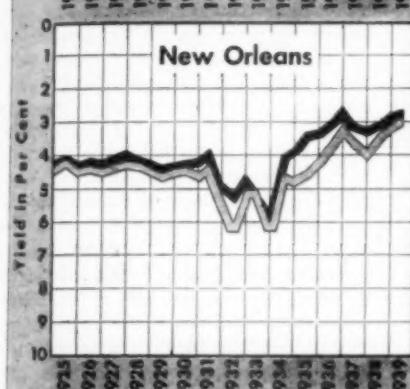
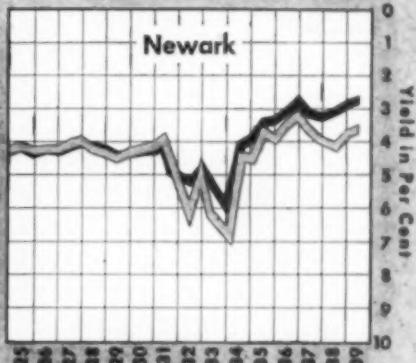
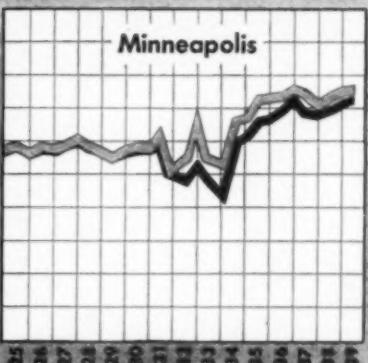
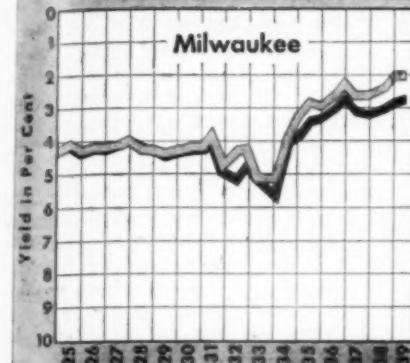
Data: The Bond Buyer.

© BUSINESS WEEK

—AS TOLD BY THEIR INTEREST RATES

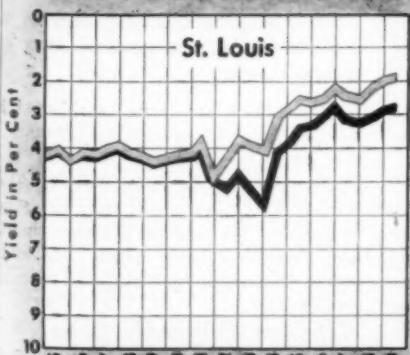
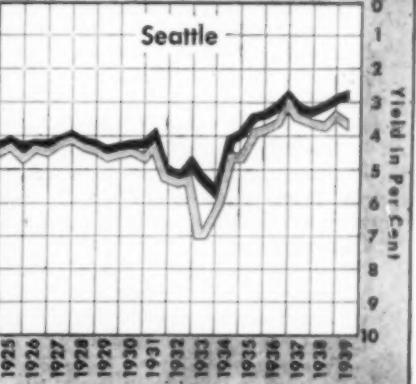
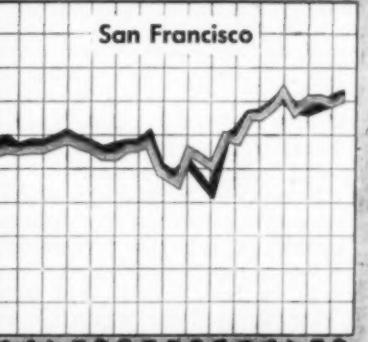
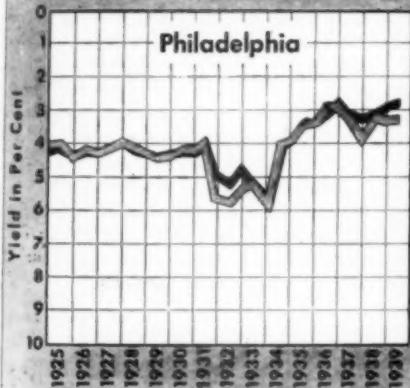
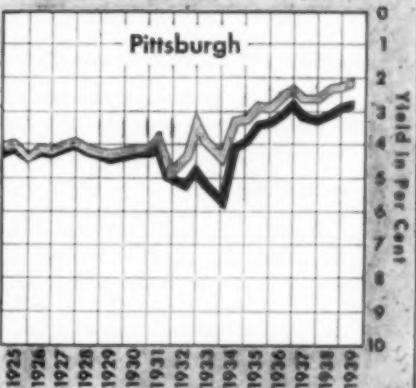
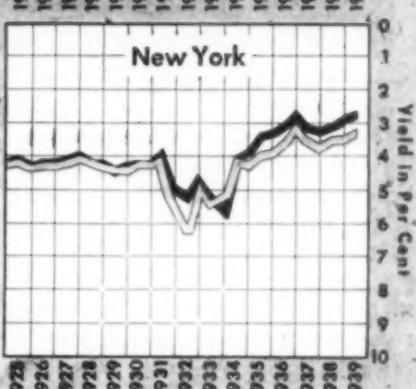
their credit ratings and credit rankings have been taking place
—as indicated by the interest rates on their 20-year bonds.

— Individual city
— Average of 20 cities

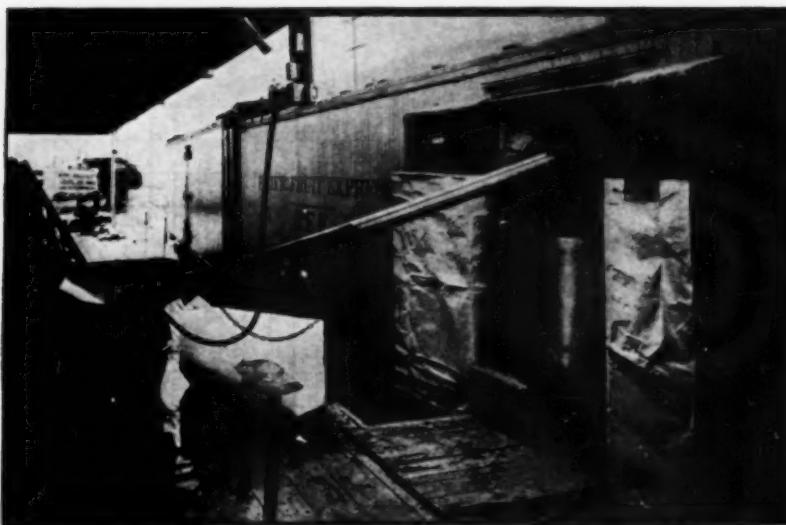


The New Rankings — Today

CINCINNATI	1.65%
ST. LOUIS	1.75%
BALTIMORE	1.90%
MILWAUKEE	2.00%
PITTSBURGH	2.30%
MINNEAPOLIS	2.40%
BUFFALO	2.50%
CHICAGO	2.70%
KANSAS CITY	2.75%
CLEVELAND	2.85%
BOSTON	3.10%
SAN FRANCISCO	3.15%
NEW ORLEANS	3.17%
LOS ANGELES	3.50%
PHILADELPHIA	3.80%
DETROIT	
NEWARK	
SEATTLE	
JERSEY CITY	
AVERAGE	2.66%



Ice-Encased Lettuce Crates



A new method of icing refrigerator cars, developed by Southern Pacific, Union Pacific, and their subsidiary, Pacific Fruit Express, had its first test last week when 15 cars of lettuce, iced by the new method, rolled eastward from Salinas, Calif. In loading, each layer of crates was sprayed with crushed ice from a hose (above), the sides of the car given an ice coating, and a final coat applied

over the top layer of crates. The method overcomes two handicaps of the practice of putting blocks of ice in bunkers at each end of a car—it cools all parts of the car evenly, and eliminates the bunkers, adding valuable cargo space. The shipment of perishable products made news on another front last week as distributors pondered the potentialities of refrigerated I.C.C. containers (page 33).

Coast Oil Men Angry

California producers resent anti-trust probe methods. Future of regulatory act uncertain.

WHILE CALIFORNIA OIL COMPANIES, operating largely in a producing and marketing area set apart from the rest of the industry, took no part in the recent oil shutdowns in other fields (BW—Aug 19 '39, p36) they are grappling with problems which their associates may yet have to face: (1) A government investigation and (2) an attempt to set up state control.

In Los Angeles last week, the major oil companies (Standard of Calif., Texas, Richfield, Tidewater-Associated, Shell, General Petroleum, and Union) and four minors (Signal, Seaside, Gilmore, and Rio Grande) now being investigated for violations of anti-trust laws by a federal grand jury, (BW—June 3 '39, p18), got pretty sore about the way the probe is being conducted.

They went before United States District Judge Paul J. McCormick and told him Thurman Arnold's young men, who are handling the case for the attorney general's office, are demanding a "fantastic" array of records which, if actually produced by the companies, would

"keep the grand jury in session for 10 years."

Spokesmen for the companies asked the court to vacate government subpoenas calling for "all the books, records, documents and inter-office memoranda of all the oil companies involved and correspondence each had with 50 others pertaining to production, refinement, distribution, and sale of petroleum products on the Coast during the last five years."

On the control front, California's new Atkinson Act (BW—July 1 '39, p25) may have a high hurdle to negotiate (a popular referendum) before it goes into effect next October.

Opposed by a small but vociferous group of independent producers and refiners, the act sets up a new state body to take complete control of oil production in California, setting production quotas according to demand and supervising the industry generally.

Interests which want the referendum are circulating the necessary petitions in an attempt to get the required number of voters' signatures. They hope to place it on the Nov. 7 ballot along with the "ham and eggs" pension plan. To do this they must file the petitions in Sacramento before Oct. 7, a few days before the act becomes effective. If they succeed, operation of the law is stayed automatically.

More Juice to Farms

Rural Electrification Administration acts to bring service to the poor.

WASHINGTON (Business Week Bureau)— The Rural Electrification Administration took action on two fronts last week to bring electric service to lower-income groups. Most important was a plan for connection of farmers to existing cooperative or private power lines, using low-capacity equipment, at a minimum charge of only \$1 per month; minimum charges on REA projects now range from \$2.50 in the South to \$4 in the North.

The new arrangement is made possible by the use of a cheap transformer assembly with a capacity of 600 watts, designed by REA in cooperation with several manufacturers. Whereas standard transformers to step down power line voltage to house voltage cost \$75 to \$100, the new unit costs only \$35 to \$40. The lower cost is made possible by such design economies as the use of bakelite case instead of metal and a new combination conductor and ground which costs only 3¢ a foot and can be installed by the farmer himself. Of course this equipment won't carry much load—an iron, a radio, and a few light bulbs—but it is intended to introduce electric service to farmers who can't afford the present minimums.

REA's second move was to set up a financing plan to handle equipment purchases too small to meet Electric Home and Farm Authority's \$40 minimum. After a trial in selected areas, REA is making its first general move with an offer of two I.E.S. lamps (a floor and a table model) to be sold to cooperative members at a combination price of \$9.95 (95¢ down and 95¢ a month).

REA expects, if this experiment is successful, to use the plan for other items of household and farm equipment. The previous local trials were made on the sale of a \$35 electric brooder.

Cut-Rate Legal Fees

Lawyers Guild plans to establish clinics where poor can get cheap service.

LEGAL CLINICS are being established by the National Lawyers Guild, which is the young and "progressive" or New Dealish rival of the American Bar Association. Four clinics will soon be opened in Philadelphia, and the Chicago chapter has devised a plan which was made public this week by the Guild national headquarters.

The four Philadelphia clinics will be situated in poor people's neighborhoods. They will be open day and evening, beginning Oct. 1. For \$1 the client will be able to get a half-hour consultation.

Business We

Filing proof also cost \$1, in a real workmen's amount recover will cost a m or criminal c

The Chicago report by a c lawyers and l of \$2 for the sition: \$1.50 f ances, leases, can be drafter for papers available; an criminal case client would 10% of the a

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Apples

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The effect Monterey C favorable t growers an had an excess steins on ha more rural g concerns, th and the labo erate in selli slogan: "Buy of the farme

Filing proof of debt in bankruptcy will also cost \$1, small contracts \$4, effecting a real estate settlement \$10, and workmen's compensation 25% of the amount recovered. Cases taken to court will cost a minimum of \$15. No divorce or criminal cases will be accepted.

The Chicago plan, as embodied in a report by a committee of several leading lawyers and law teachers, entails a charge of \$2 for the first half hour of consultation; \$1.50 for preparing wills, conveyances, leases, and other documents that can be drafted on printed forms; \$2 to \$5 for papers where no printed form is available; and \$10 as retainer in tort and criminal cases. In conciliation cases the client would pay a minimum of \$5, plus 10% of the amount involved over \$50.

The committee argues that low-cost clinics will be a "constructive answer" to the problem "of unauthorized practice of the law by laymen." But the bar associations contend that much of the "unauthorized practice" by individual business men and groups isn't due to the poverty of the clients but is simply the result of business men's eagerness to enter any profitable field.

Apples and a Harbor

San Francisco, seeking control of waterfront, woos farmers by selling surplus.

SAN FRANCISCO business bought apples last month in an effort to gain for the city control of its harbor.

The City by the Golden Gate is one of the few ports that don't rule the affairs of their own waterfronts (control is by the state, with the governor appointing the all-powerful board of harbor commissioners).

For decades, the condition has irked San Francisco business. This spring a campaign was started to remedy it, but the state legislature (overwhelmingly rural) refused to act.

Business leaders, counseling a change in tactics, suggested that the farmers should be won over to the city's point of view. One way was to help dispose of surplus crops. So a few weeks ago, San Francisco business bought up what was left of the Monterey County apple growers' 1938 crop and loyal San Franciscans absorbed it all in a "buy-an-apple" campaign.

The effect on the city's relations with Monterey County apple growers was so favorable that when Sonoma County growers announced recently that they had an excess of 200,000 boxes of Gravensteins on hand, the city decided to win more rural goodwill. The larger business concerns, the Chamber of Commerce, and the labor unions proceeded to cooperate in selling Sonoma apples under the slogan: "Buy an apple and make a friend of the farmer."

Few Auto Mysteries

Most questions about new models are answered. But what of Ford and Chevrolet?

DETROIT—With Chrysler and General Motors swinging into increased production of 1940 models this week, and with Nash, the last of the big independents to show its new wares, having taken off the wraps at a dealer convention in Detroit last week, most of the mysteries—numerically speaking—about next year's automobile picture were dispelled. Yet the two biggest question marks in any year's automotive outlook still remained for answer, namely Ford and Chevrolet.

When Chevrolet held its press preview party and announced that there would be no preview, the natural interest about the competitive situation in the big-volume, low-price market was intensified. There will be no final word on Chevrolet for about a month yet, for Chevrolet was more hampered by the recent tool-and-die strike than other G.M. units and will have no cars assembled until about the first of October.

Ford's moves are still an unknown quantity. It is known that parts produc-

tion is well under way, and the rumor is that the assembly line at Baton Rouge is scheduled to be moving next week. This would seem to indicate that Ford plans a minimum of changes in its new models for it would have allowed itself only three weeks for the change-over from '39 to '40 models. This conjecture causes some surprise, for both Chevrolet and Plymouth have new bodies. It is reasonably certain that Ford will set the price pace as usual, and in the reshuffling of quotations all along the line that is likely to follow Ford's announcement, the theoretical price advantage which G.M. appears to hold over Chrysler may be wiped out.

Wooing Different Tastes

The competition between these two big companies will be particularly interesting to watch this year, because of the decidedly different stylings of the G.M. and Chrysler lines. G.M. has kept its basic car lines fairly sedate, adding the "Torpedo" models to attract buyers whose tastes may be a little less conservative. Chrysler, with new bodies on all its chassis, has remodeled the rear end on all its cars, moving the fenders back to clear rear sedan doors and increasing the wheelbase for riding comfort. The bodies also show an interesting compromise between the "Zephyr" type of sloping tail and the still popular "built-in-trunk" styling.

Of the G.M. cars, Buick and Pontiac are rolling off the assembly lines in increased quantity, and Oldsmobile got into production this week. Pontiac, which showed last week, added a new eight-cylinder chassis to its line of two sixes and one eight. Oldsmobile, which is readying cars for prompt dealer delivery, is scheduled to show Sept. 11.

Sales figures just issued for the month of July provide the statistical evidence of the unexpectedly heavy demand which is forcing the car manufacturers to rush their 1940 models into dealer hands without much of the usual ceremony. The July total of 290,260 units sold was 47% ahead of last year, raised the seven-month total to 1,649,456, a gain of 44%.

Diesel Autos for Overseas

The long-predicted arrival of a diesel-powered automobile moves a step nearer to realization, as Nash announces a whole line of diesel cars for their overseas trade. Made under the F. Perkins Ltd. diesel patents, the automobiles are directed especially toward Britain's demand for cars with less expensive fuel consumption. Heavy taxation on both automobiles and gasoline, recently increased in England, account for Nash's move. Nash claims for its new diesel the quietness, acceleration, and speed of a gasoline engine, combined with diesel economy. The type of diesel used will be cold-starting, with no electrical engine accessories, except for the self-starter, and dynamo.



Weird-looking lamps, casting "invisible light," have been set up in the streets of Amsterdam, Holland, to guide motor traffic (motorized anti-aircraft guns, ambulances, etc.) during night air raids. The invention of a Dutch Intelligence Officer, the lamp throws a narrow beam of light in a straight line, is visible only to someone directly in its path, is incapable of reflection, and cannot be seen above a height of 80 yards.

MARKETING

ADVERTISING · MERCHANTISING · SELLING

Firms Get Free Ads in Movies

Products receive plugs because film directors want realism. Some manufacturers deal with Hollywood direct, but others use agencies.

WHEN SPENCER TRACY calls for "two Coca Colas, please," in the movie "Test Pilot," the sequence gains realism, and a big advertiser gets a terrific plug.

What's it worth? Nobody knows, but with the average picture playing to a world audience of 15,000,000 or 20,000,000, and with a hit like "Test Pilot" reaching as many as 60,000,000, the advertising effectiveness of the plug isn't to be minimized—particularly when it didn't cost Coca Cola a red cent. That's why advertisers in increasing numbers have been manifesting a big interest and achieving a big success—thanks to established service agencies—in getting free publicity through movies.

In "First Lady," Kay Francis lets it be known that "Ford always makes good cars."

In "Always Goodbye," Barbara Stanwyck changes her steamer ticket so that she can sail "on the Normandie."

In "Confessions of a Nazi Spy," Western Union gets a four-minute sequence in which their method of transferring a message from one district to another is dramatically portrayed.

In "Fools for Scandal," Ralph Bellamy speaks many an institutional line for life insurance.

In "The First Hundred Years," Virginia Bruce and Robert Montgomery lovingly demonstrate a home electric organ.

Reality in Gadgets, Anyway

And so it goes—in movie after movie, the advertisers are getting free and valuable publicity. Their success on the screen rests on a simple causation: (1) The movies want to be as real as life. (2) "Reality" is heightened by the use of genuine props—cars, radios, furniture, and all the big and little gadgets a script may call for. (3) Props cost money, and since most producers have budget trouble, a free "prop" is frequently welcome.

Active promotion of a product or service in the movies requires direct contact with the producers. A manufacturer can do this work himself, or he can hire agencies to undertake it for him.

Two of these are the Walter E. Kline Agency and the Stanley-Murphy Service Agency, of Hollywood. They contact

manufacturers for properties, and get a small fee for handling a product. They make no guarantee of putting a product into the movies, but, simply by offering properties, equipment, and technical advice to the producers, succeed in getting considerable representation.

A number of manufacturers work directly with the producers' property departments. One office equipment company makes a practice of sending several of its newest models to Hollywood every year. As a result it has enjoyed almost a monopoly in office scenes. A big oil company furnishes the studios with property pumps. Strangely, most of the auto companies have been laggard, but one manufacturer makes his cars available to the

How Autos Fare in the Movies

100 Pictures from 10 Major Studios

	Times Shown	Mentioned or in Action	Sign Shown
Ford	41	3	
Buick	26	0	
Packard	19	1	
Chevrolet	10	6	
Cadillac	14	0	
Rolls Royce	5	2	
Cord	4	0	
Plymouth	3	0	
Chrysler	3	0	
Dodge	2	0	
Lincoln	2	0	
Lincoln-Zephyr	1	0	
La Salle	1	0	
Pontiac	1	0	
Terraplane	1	0	

Obviously, the movies have a greater effect on some businesses than on others. First step in measuring the effect is to find out whether the films concern themselves either with you or your competitors. Next job is to evaluate the kind of an impression created by the film sequence. A reporting service to do both jobs has been undertaken by C. Nelson Schrader, who will make his headquarters with C. E. Hooper, Inc., 51 E. 42nd St., New York. On the basis of his tabulations and evaluations thus far, Mr. Schrader says that Buick has done the best job of contacting producers.

studios and has even gone so far as to present a few movie executives with cars from time to time. (This practice, which brought a complaint from the Hays office, is by no means typical of the usual procedure; veteran movie men insist that gratuities aren't necessary to win a favorable product mention or use.)

Publicity work in the movies is not entirely directed toward product promotion. Some trade associations and other business groups have found it necessary to try to correct the treatment which they receive in films. For example some time ago American distillers decided that Scotch whisky was getting all the breaks in the movies. It seemed to the distillers that an actor never called for a domestic drink; he always called for a Scotch. The distillers complained to the Hays office, the Motion Picture Producers and Distributors of America, which in turn sent a memorandum to the various producers. American distillers feel that their products are now getting a better break.

How Valuable Is Movie Plug?

Similarly, about a year ago a group of newspaper publishers became alarmed at the picture of reporting methods which the movies were giving to the public. Again, a complaint was made to the Hays office. And, whether by coincidence or not, recent pictures have treated newspapers and their methods more favorably.

Trying to evaluate the worth of product publicity in the movies, one advertising man sizes it up succinctly in this fashion: "A magazine reaching an audience of 80,000,000 in the United States each week probably could get \$50,000 a page for advertising space. There are those who will tell you that a movie plug—a really good one—would be cheap at the same price."

Actually, of course, there is no way of estimating the comparative value of a printed page and of a one or two minute film sequence, but the movies combining sight and sound, can boast a marked advantage over either magazines or radio when it comes to showing a product in use. It's low-pressure selling, but what the movies can do with their subtle suggestion is best illustrated by what they have done.

Getting Rid of Style Lags

Not so many years ago the latest rage in women's styles in What Cheer, Ia., was the New York sensation of perhaps two seasons previous. But times have changed; now, on Easter Sunday, the Main Street miss parades in the same get-up as her Fifth Avenue sister. Credit the change to as many factors as you want—improved handling of goods . . . the growth of chains . . . faster marketing—still a part of the credit must be given to the movies.

The styles that the Main Street girl sees down at the Bijou come recommended to her by personalities that she

admires and check with.

What's true in a agency ma cited about has this to

"I believe for about he made to date but cigarette bird like C. I wish I we nation. And as many v today if it is taken it up.

Perhaps the movies the case a telephone up in desk advertising ally wanted gradually, almost sole "French" And the s crease of " futures may telephones plastics.

Sears

Isn't plan building

GEN. R. B. Co. testified that many cities and builders w company's ma same time. "Book of pictures a homes in T

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Business

When died in the shade room. The customer from the

admires and knows well. And hence they check with her.

What's true in women's fashions is true in a thousand other lines. One agency man who has lately become excited about selling through the movies has this to say:

"I believe the movies are responsible for about half the cigarette sales that are made today . . . not individual brands, but cigarettes in general. Every time a bird like Charles Boyer lights a cigarette, I wish I were sitting in the smoking section. And do you think there would be as many women smokers as there are today if the female movie stars hadn't taken it up? Not on your life!"

Perhaps the classic example of what the movies can do for a new product is the case of the hand telephone. The telephone companies, with millions tied up in desk and wall equipment, did no advertising for the hand phones, actually wanted to introduce them more gradually. But public demand, created almost solely by seeing movie stars using "French" phones, forced their hand. And the sequel may come with the increase of Technicolor. The motion pictures may soon have folks demanding telephones made of brightly colored plastics.

Sears and Housing

Issues book on homes; but isn't planning big sales push on building materials.

GEN. R. E. Wood of Sears, Roebuck & Co. testified before the Temporary National Economic Commission that in many cities, including Chicago, rules of unions and suppliers' associations hamper builders who would like to use his company's materials. Sears at about the same time brought out a brand-new "Book of Modern Homes" containing pictures and house plans of package homes in the \$3,000-\$7,500 range.

Thereupon the prophets added up one and one to total four, decided that the big mail-order house was bent on regaining its pre-depression pre-eminence in residential materials.

Sears has \$3,500,000 invested in its two lumber and millwork plants at Cincinnati and Port Newark. These were both cause and effect of the enthusiastic house-selling campaign before 1929, which loaded the company treasury with long-term paper that had to be written off in seven-figure chunks during the early depression years.

Business Picks Up a Little

When its building material business died in the early 30's, Sears pulled down the shades and quietly tiptoed from the room. Thereafter, for several years, any customer who bought building materials from the house did it on his own initia-



One is Enough

"One drop of poison infects the whole tun of wine," runs the proverb.

One dishonest employee, likewise, can shatter the whole security of a business. Too often his operations are secret and subtle as a potent poison.

Against the incalculable effects of human frailty in business, Standard Accident can protect you with a Fidelity Bond. Standard of Detroit — strong, progressive, with 55 years' experience — also insures against financial loss from burglary; robbery; automobile accident; injuries to person, employees, or public; and similar hazards. Your Standard agent will tell you how.

STANDARD ACCIDENT INSURANCE COMPANY

Standard Service Satisfies . . . Since 1884

tive. Nobody was even trying to sell the stuff.

As residential building stirred in 1935, the two mills began getting a little business again. Approximate sales for Sears' Modern Homes division for the past three years are: 1936, \$2,000,000; 1937, \$3,500,000; 1938, \$2,750,000. This year's sales totals may equal or even exceed 1937.

It Had to Be Done

The new edition of the Modern Homes catalogue is no symptom of a new sales push into the Big Time. Rather, the new book was a subsistence necessity. The division had been using the same old catalogue unaltered for years. Some new sales effort was essential to keep the two good-sized factories from losing a piece of the corporation's shirt. And to do the most profitable job it can as long as it remains in the business, Sears keeps searching out ways to get more and better volume.

Thus, two Sears-fostered—but not Sears-financed—speculative building developments are now in progress at Southbridge, Mass., and Albany, N. Y., with Sears promotional ideas provided free to back up the developers. Local advertisements have been signed and paid for jointly by Sears and the developers. Sears mail-order customers get invitations to visit the model homes. Sears stores whoop it up for home-furnishings business.

The Modern Homes division has 19 district sales offices east of the Mississippi and north of the Ohio, its allotted territory. In most Sears stores one salesman is primed to handle all Modern Homes inquiries. And the Cincinnati plant is even experimenting with pre-fabricated homes. (Sears' 1936 tie-up with General Houses, Inc., ended unhappily, with dissatisfaction over too close a relation between exterior and interior temperatures in the pre-fabricated structures.)

Working Out Contrarily

Company officers kid one another to the general effect that they went whole-hog for housing just when they shouldn't have tried it because they then had to finance long-term paper with short-term loans, are practically out of the business now when Federal Housing Administration mortgages and inspectors would be able to take the worst grief off their hands.

Some of Sears' younger executives are enthusiastic about an ambitious housing program, but they haven't a chance of budging the top management layer. Chairman R. E. Wood, President T. J. Carney, and Executive Vice-President D. M. Nelson all sweated buckets bailing the company out of the big-scale housing catastrophe that followed the slap-happy 20's, would cheerfully get shot of the whole department if only they knew how to get their money out.

recommended by the cooperating groups. Each member pays an annual fee of \$25 which includes a copy of the current portfolio for use in his own place of business.

When a prospective home builder approaches a Los Angeles bank, an S.H.S. member, for information on financing, he is told of S.H.S. complete design, financing, and construction service, is shown sample plans in the portfolio and is advised to go direct to S.H.S. headquarters for help. There he selects the house he likes, is told how much it will cost in terms of monthly payments to a bank, and is guided through the intricacies of investigating materials, appliances, and finishes. He gets at least six conferences with his architect before and after building operations have begun to make minor alterations in plans. He is allowed to select such items as plumbing and electrical fixtures, appliances and details of finish, interior and exterior. Monthly payments to the bank cover all costs, including the architect's 3% commission. S.H.S. gets no fee from the client.

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Dials Speed Telegrams



New telegraph dialing equipment installed in eight Western Union branch offices is speeding up service to eight cities—Baltimore, Philadelphia, Washington, Albany, Cleveland, Boston, Detroit and Chicago. Instead of sending messages to Western Union's main office for retransmission, operators in these branch offices now dial the number of the desired city, transmit messages direct.

Small Homes Service

Banks, building industry, architects, etc., cooperate in Los Angeles plan.

THE BEWILDERED GENT who gets the urge to build a small house (\$3,000 to \$6,000) and the material manufacturers, architects, banks, and realtors who stand to make some money if he does, are brought together in Los Angeles by a new co-operative organization, Small Homes Service of Southern California, Inc.

Joining in the enterprise are 80 companies allied with the construction field. Object is to: (1) encourage building of small houses by smoothing the way for the novice; (2) enable architects who specialize in \$3,000-\$6,000 houses to get the benefits of "mass production" operations; (3) present to prospective builders houses planned according to latest recommendations of the participating groups, thereby permitting the electrical industry (for instance) to promote its "adequate wiring" campaign, the gas people to install their most modern equipment, and the manufacturers of building supplies to sell new materials.

Some 60 of the 80 members of the organization are architects and among them they've worked up a portfolio of 100 designs, all embodying specifications

Local Appliance NRA

Knoxville city government helps dealers to fix allowances on trade-ins.

A LOCAL NRA on trade-ins of electrical appliances has been established in Knoxville, Tenn. It isn't called an NRA, but that's what it is.

The city helps dealers to fix trade-in allowances. It also helps them to find customers. Both these activities are conducted through the City Electrical Department.

Under a "code of ethics" recently adopted by the Major Electrical Appliance Bureau (which includes department stores, furniture stores, hardware stores, and strictly electrical appliance dealers), no member is allowed to cut below the appraisal of the first dealer who has made an offer on an old electric range or refrigerator. A dealer who makes an offer must notify the City Electrical Department. If the person receiving the offer goes to another dealer for an appraisal, then that dealer, too, notifies the department, which tells him what the first offer has been. He isn't allowed to undercut it.

Thus the city officially participates in the fixing of trade-in allowances on electric ranges or refrigerators.

Old Ice-Boxes Covered, Too

The dealers' code also has other firm provisions. For one thing, it sets maximum allowances of \$10 on old wooden and metal ice-boxes. It also provides that "all dealers will submit to the secretary their cash-installed prices on merchandise. These prices will be inter-

changed between the other dealers. No cash discounts will be allowed from the above prices."

Recently the City Electrical Department ran what it called a "man hunt" in behalf of the dealers. A year ago the city bought the local distribution system of the Tennessee Public Service Co. and began distributing Tennessee Valley Authority electricity. The company used to sell appliances in competition with dealers, but the city doesn't. Instead its electrical department has a corps of salesmen who canvass the city to get prospects for merchants. All information is turned over to the dealers. If one dealer doesn't succeed in selling a prospect, the department turns the prospect over to another dealer.

The "man hunt" was conceived and directed by C. O. Carpenter, Jr., the alert young sales manager of the city department. He gave each salesman a quota and started off the campaign with a bang. Police cars and a patrol wagon rolled up to the department and took employees to the city courtroom, where they were solemnly commissioned to hunt for prospects and received special badges. Thereafter the campaign was fought lustily, by the breezy methods familiar to all sales managers. In three months all records for appliance sales in Knoxville were smashed. Commercial sales totaled \$50,840, against \$14,894 and \$40,225, respectively, for the comparable periods in 1938 and 1937. Residential sales were: 1939, \$587,683; 1938, \$400,190; 1937, \$481,548.

Chicago Milk Pact

Federal supervision of the area is launched, under a marketing agreement.

FEDERAL SUPERVISION of the Chicago milk market through a marketing agreement, foreseen these many months (BW—Jul 22 '39, p28), became definitely an accomplished fact last week when dairy farmers voted on the plan submitted by Sec. Wallace. Most milk distributors oppose the agreement, but their votes don't really count, and so they don't even bother to cast ballots. A two-thirds vote of producers or of total production can authorize the order. Pure Milk Association, farmers' cooperative including 75% of total production, first agitated for a marketing agreement, got less than 100 votes of "No." So it votes its 12,000 membership "yes" as a unit for purposes of federal nose-counting. Hence approval was a foregone conclusion. Effective date named in Sec. Wallace's order: Sept 1.

Basic factor in the agreement is the price paid for milk at condenseries, which is also set through government channels. Recently the official condensery price has been between \$1.07 and \$1.10 per 100 lb. (46.5 qt.). The agreement

sets the price of Class 1 milk, for fluid milk, at 70¢ above the condensery price for July-November, 55¢ December-April, 45¢ May-June. Class 2 milk, for cream and ice cream, gets differentials of 32¢, 28¢, and 25¢. Class 3 milk, for all other purposes, will bring the farmer 3.5 times the average wholesale butter price (which is government-pegged), plus 20%.

Prices Due to Rise

The new price is only an eyelash above the present scale, which P.M.A. jacked up just after public hearings on the agreement started. Present retail prices are 11¢ on the doorstep, 8¢-9¢ in the store. These fall well below cost for distributors who pay P.M.A.'s scheduled prices. Big operators in the aggregate are cut-raters, who now buy their milk out behind the barn. They will almost certainly have to raise their selling prices because the marketing agreement takes away their raw material cost advantage.

If the cut-raters raise retail prices to cover their added cost, the old-line distributors will be able to nudge their own retail prices up to somewhere near the break-even level. But the large distributors don't like market control, because they think it can work no better this time than in the previous two attempts at Chicago. They are too conspicuous to try shenanigans in buying milk, but they know from past experience that some other fellows may get away with it.

WHY ADDRESSING MACHINE OWNERS ARE DISCARDING METAL ADDRESS PLATES



The savings accomplished by the change from metal address plates to Elliott Address Cards will sometimes pay for the change in one year. This book will be mailed free if requested on your business letterhead.

The Elliott Addressing Machine Co.
151-A Albany Street, Cambridge, Mass.

Elliott
ADDRESSING MACHINES

TOWMOTORS



RELEASE LABOR FOR MORE PRODUCTIVE WORK



LOADING MOTOR TRUCKS



LOADING BOX CARS



MOVING GOODS IN PROCESS



CONVEYING TO SHIPSIDE



TIERING PALLET LOADS

Costs of materials and direct labor are relatively fixed, yet nothing stands in your way to cut handling costs which are often half total cost.

For twenty years TOWMOTOR has specialized in machines for reducing the indirect labor costs of industry. TOWMOTOR Lift Trucks and Tractors have cut handling costs as much as 50%.

Write for literature on the machines that have become the standard of the industry and for years preferred by the nation's leading specialists in material handling.

TOWMOTOR CO. Sales Offices in 22 Principal Cities 1246 E. 152nd St., Cleveland, Ohio

So there is bound to be a court attack by old-line distributors—probably two or three of the smaller outfits—some time after Sept. 1, whenever the local administrator begins bearing down on chiselers.

Coarse Paper Group

Distributors form new company to develop brands and maintain retail prices.

WHOLESALERS WHO DISTRIBUTE coarse papers (generic name for everything not used for printing or writing on) have united to form a new company, Tested Papers of America, Inc., and opened offices in Chicago. T.P.A. is something new under the merchandising sun, compounded of a dozen proved ingredients, including some from the big voluntary chains. Avowed purpose is to standardize qualities, develop brands, advertise them, and get the coarse-paper merchants some *Lebensraum*.

The men and firms behind the enterprise stand high and already do a substantial share of the total business—they include names such as Hubbs, Pollock, Crescent, Dillard, Inlander-Steindler, National, and Willis & Weber. Over 125 warehouse stocks are already represented in every major center east of the Rockies, 300 are eventually expected to cover the United States. Spark plug and unsalaried board chairman is R. W. Miller of the Central Ohio Paper Co. Sideline observers give T.P.A. an excellent chance to put over its ambitious plan, especially if the buyers' market eases off.

Follow Quota Arrangement

T.P.A. was scheduled to sell \$50,000 capital stock and raise \$150,000 from franchise fees. The money was quota'd by trade territories at the rate of \$25 capital per \$1,000,000 of retail grocery business, as shown in the 1935 Census of Distribution. To date better than 70% of this money is in the bank.

It used to take a coarse-paper salesman a week for a city of 25,000, now takes only three hours. Chain and department stores buy wrapping materials and resale goods such as toilet paper, paper towels, and waxed paper direct from paper mills; wagon peddlers and wholesalers in other lines make tough competition.

T.P.A. backers think the time is ripe for some new, price-maintained brands of recognizable quality. Tough buyers stimulate substitutions. Many resale items have been footballed. One nationally advertised toilet paper costs even A&P, \$6.15, retails for \$5.75 on sales. Retailers are understandably bilious about paper goods.

The new cooperative's franchised distributors aggregate annual sales above \$75,000,000, which means volume big

G-E Says O.K.



Though there are only three radio stations—one in New Jersey, two in New England—now using the new frequency modulation system of broadcasting developed by Maj. Edwin H. Armstrong (BW—Jan 21 '39, p15), General Electric Co. has expressed its faith in the future of the system by bringing out a line of frequency modulation radio receivers for sale to the public. Of three models, two receive only frequency modulation broadcasts (like the set shown above), while the third receives those as well as regular broadcasts. Chief characteristic of the new receiver is its high fidelity reception, its freedom from static and interference. Other manufacturers are likely to recognize frequency modulation in new models this year too.

enough to attract practically any mill. It is now formulating specifications and preparing to let contracts to manufacturers who will pay to T.P.A. a license royalty approximating 5%.

All stockholders are individuals, not paper companies. The firm cannot ever pay any dividends, thus avoiding conflict with Robinson-Patman brokerage provisions. All revenues above operating expense must go for testing, research, and advertising. Only other job for the corporation is selling and billing chain-store accounts for goods delivered by member merchants from stocks.

Conservative estimate of first-year volume is \$10,000,000. The organizers expect \$30,000,000 for their second year, when they expect to get enough big-volume outlets to make resale items more important than supply goods.

The company plans to hoard the first year's license royalties to pay for advertising to start not later than Jan. 1, 1940. So it looks like a first-year advertising account of a half a million dollars, and maybe a lot more in following years. This money spent in the lightly adver-

tised coarse-paper industry should make a real splash for T.P.A. brands. And it should make a juicy account for Ruthrauff & Ryan, Inc., who from early in the game stood at the organizers' right hand and helped call the merchandising signals.

MARKETING ANGLES

Anti-Chain Men Split

CHAIN MEN BEGAN TALKING this week of a schism in the Patman ranks, when, out in Chicago, the organizing board of the Freedom of Opportunity Foundation "relieved" Charles G. Daughters of his post as executive secretary and elected as president a former governor of Minnesota, Theodore Christierson. The Foundation dates back to July 16 (BW—July 22 '39, p32), when a group of independent business men met in Washington with a few members of Congress to plan a fight for passage next year of Rep. Wright Patman's bill to tax the chains out of existence. It was decided then to make a permanent organization out of the loose affiliation of independent retailers and wholesalers which Daughters—as Patman's right-hand man—had built up in the two previous years. Couple of weeks ago, without knowledge of the board, Daughters suddenly incorporated the Foundation with himself as head. Chain men are hoping that the board's equally sudden action in relieving Daughters means a split down the ranks as well as in the high command.

Big Newspaper Advertisers

SEVENTEEN COMPANIES each spent more than a million dollars in newspaper advertising last year, 622 spent more than \$25,000 each. Those are highlights of a study just released by the Bureau of Advertising of the American Newspaper Publishers Association. The figures, supplied by Media Records, cover cities of 10,000 population and over. R. J. Reynolds Tobacco Co. leads the spenders at \$6,538,477. The next five:—Liggett & Myers, \$5,846,153; General Motors, \$5,181,475; Chrysler, \$3,391,903; Lever Bros., \$2,896,080; Ford, \$2,576,835.

Upholds Retailers' Suits

THE NEW YORK COURT OF APPEALS, the state's highest tribunal, has finally established the right of a retailer to sue, under the state's fair trade law, for relief against a price-cutting competitor. A lower court originally held that a retail distributor does not have sufficient property rights in a product to claim damages for a competitor's price cutting. This decision was reversed on appeal to a higher court early in 1938, which set off a wave of suits by retailer associations—which have been uniformly successful in getting injunctions against price cutters. The state's last court now validates these injunctions.

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LABOR & MANAGEMENT

INDUSTRIAL RELATIONS · PERSONNEL · EXECUTIVE POLICY

Hearst Kills Paper

Disconcerts Guild strikers by suspending Chicago *Herald* and *Examiner*.

THE CHICAGO *Herald* and *Examiner* suspended publication this week. William Randolph Hearst's other Chicago paper, the *Evening American*, has been renamed the *Herald-American*. This action was a bombshell in the unusually bitter dispute between the American Newspaper Guild and Hearst in Chicago.

The Guild strike for a collective bargaining agreement, which started Dec. 5, 1938, became a national issue when Guild members in Los Angeles and New York pioneered a novel form of "secondary picketing." Threatening boycotts, they asked big advertisers to discontinue their insertions in the struck Chicago papers. Guild officials believe that this pressure was responsible for the drop in the *Examiner's* and the *American's* lineage. From January through July, the *Examiner's* total display lineage dropped from 3,053,600 in 1938 to 1,134,906 this year—a loss of 62.8%. The *American* dropped from 3,635,247 to 3,112,432, down 14.1%. Meanwhile other Chicago papers were reporting an average gain of 8.7%.

Three hours after negotiations between the Guild and the management had adjourned for the week-end, the 700 employees of the *Examiner* were being informed of the catastrophe. Some have

gone to the *Herald-American* and others are said to be getting severance pay.

The astonished Guild representatives, who had no inkling of the suspension, went back to the conferences this week with a new problem: how to fight for jobs that don't exist any more. They asked for substitution of their 300 to 400 strikers for the present staff of the *Herald-American*.

The *Herald and Examiner*, which at high cost was converted to a tabloid shortly before its labor difficulties, was the second Hearst paper to fold this year. A few weeks ago the Syracuse *Journal* was discontinued. Outside of the new *Herald-American*, none of Hearst's 18 papers is being struck. Recently the Newspaper Guild has gotten \$140,000 in wage increases in a new contract with the Los Angeles *Herald and Express*, \$128,000 in increases at the New York *Journal and American*, increases also in San Francisco and Seattle.

Auto Labor Pro-Union

Few vote for "neither" C.I.O. nor A.F.L.; and strikes shut important parts plants.

SURPRISING not only to optimistic executives but even to the American Federation of Labor and the Congress of Industrial Organizations themselves has been the meager "neither" vote in A.F.L. and

Giving Jobhunters the Air



Radio programs designed to help job hunters get their qualifications aired have been tried out in various sections of the country during the past few years, but the top honors probably go to the "Help Thy Neighbor" half-hour Sunday spot on KHJ, Los Angeles. Run by Commentator Hal Styles, the California program is re-

ported to be second only to Charlie McCarthy as a drawing card over the 32-station Mutual-Don Lee network. Applicants for jobs (150,000 are now on file) tell their stories before an audience of unemployed. If offers are telephoned in, the microphone job hunter takes first choice, and the audience gets what's left.



Well-arranged washrooms equipped with ScotTissue Towels save money... build good will

How long since you have visited your plant washrooms? You may find, as others have, that more time is wasted here than in any other part of your plant or office. Inefficient arrangement, poor fixtures, a limited supply of towels—any or all of these things cause congestion and loitering, eat up overhead.

Actual work in planning and equipping thousands of plant and office washrooms to give efficient, more economical service has resulted in the Scott Washroom Advisory Service.

Why not send for our free booklet which explains how washrooms can be made to pay their way in terms of increased good will among workers, and reduced costs from time and material saved?

FREE!



• Scott Paper Co., Chester, Pa. Send me, without obligation, "Scott Washroom Advisory Service."

Name _____

Position _____

Firm _____

Address _____

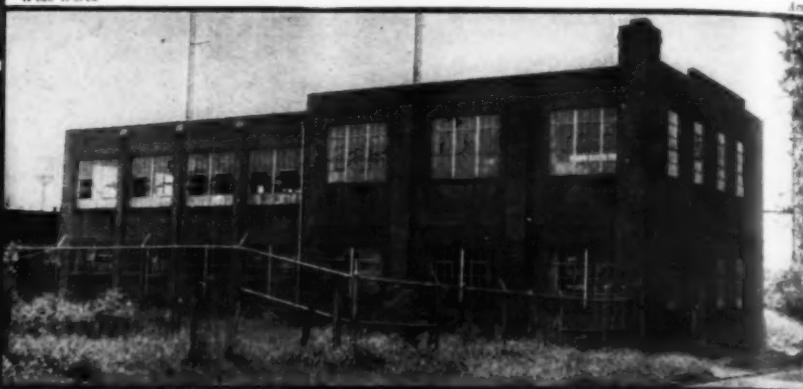
Trade Mark "ScotTissue" Reg. U. S. Pat. Off.
Copyright 1939, Scott Paper Co.

BW-9



Employees Try Their Hand
When the Fashionable Hosiery Co., in Philadelphia, Pa., closed down recently, 80 of its employees pooled their funds, incorporated, elected officers, and took over the old plant (below), which is now getting ready to reopen under the name of Colonymaid, Inc. At the left, Colonymaid's night watchman and vice-president, having equal shares, discuss business problems.

Wide World



C.I.O. contest elections held so far this month under the auspices of the National Labor Relations Board. At Packard, Motor Products, Bundy Tubing, etc., workers indicated that even if many of them had stopped dues payments, they still favored unions.

As between the two unions, the C.I.O. found considerable reason in the first elections to gather increasing confidence. In only one, at Bundy Tubing, was the vote close. Emboldened, the C.I.O. wing of the United Automobile Workers this week was preparing for an intensified organizational drive, as auto workers returned to employment on 1940 models.

First indication was the closing by a strike, last week, of the Warner Gear plant at Muncie, Ind.—key transmission supplier to most of the industry. On it depend most independents, including Nash, Studebaker, Graham, while Ford and Chrysler both rely on the plant for a considerable portion of their needs. The plant also produces most of the overdrive units used in the industry. Studebaker, farther along in 1940 production than most, found itself forced to shut down assembly lines as a result.

Chevrolet, although not as yet assembling cars (see page 25) was facing a similar problem as the result of a strike vote taken at its Gear and Axle plant in Detroit.

LABOR ANGLES

Printers Stand Pat

FOR TWO YEARS the International Typographical Union has refused to pay a special assessment levied by the American Federation of Labor for use in fighting the Congress of Industrial Organizations. The typographers are about

\$16,000 in arrears today. Last month, just before their annual convention, the A.F.L. executive council announced that they would be suspended unless they paid the assessment. The convention resolved to stop even ordinary dues payments if I.T.U. men were not seated at the forthcoming A.F.L. convention in Cincinnati Oct. 2.

"No Strike" Deal

COMMONWEALTH EDISON Co. of Chicago will soon begin to spend \$15,000,000 in a building expansion program, according to John P. Coyne, president of the Building and Construction Trades Department of the American Federation of Labor. Coyne, who was recently appointed arbiter in all jurisdictional suits between unions in his department, will guarantee freedom from strikes on the Commonwealth jobs. The utility, on the other hand, will make the work 100% union.

The Employees Help Edit

CHRYSLER CORP. is counting replies to a questionnaire it tried out on the 70,000 readers of its employee magazine, has some 16,000 returns thus far. Indications are that the employees approve generally of the various features in the magazine, but nearly 30% of the replies include handwritten comments, criticisms, and suggestions which will be used by the editors to guide makeup of future issues.

Hillman Stays Home

THE A.F.L. weekly news-letter remarked last month, "In the C.I.O. Dave Dubinsky, Frank Gorman and Homer Martin got out. What is going to happen to Sidney Hillman?" The indication that Hillman is leaning toward independence of the C.I.O. should be taken with a sack of salt, however. He is firmly attached to industrial unionism, still good friends

with John Lewis and Phil Murray, and is only sticking to his knitting and keeping out of heavy-industry disputes. He didn't want to see C.I.O. start swinging in the building field, but went along with the majority decision. Generally, it is accurate to say that Hillman is staying home, with his clothing-manufacture affairs, while C.I.O. ranges into new fields. Master politician, he lunched with Roosevelt recently and returned to plunge into 1940 preparedness moves of the American Labor Party, which is his particular baby.

Radio Union Drive?

ACCORDING TO INFORMED sources, the recently organized Associated Broadcast Technicians union is getting up steam and may soon launch an intensive organizational drive. The National and Mutual networks, as yet mainly unorganized, are likely points of attack. The location of the technician's union's permanent office is still up in the air. Whether it will be set up in Minneapolis, where the union's president, Lyman Swendson, works at station WCCO, or in Washington or New York has not yet been decided. The union was formed in April of this year, when members of an independent group of radio engineers signed an agreement with Daniel W. Tracy, national president of the International Brotherhood of Electrical Workers (A.F.L.), creating a national broadcast local in his union. This week the union's 300 members, who are radio engineers and technicians in Columbia Broadcasting System or in independent stations, elected and lost their first business manager, when Tracy refused to approve him because he didn't belong to I.B.E.W. Now the union will try again to get a man to run their membership campaign.

PRODUCTION

PRODUCTS · PLANT · PROCESSES

Rail Iceboxes Make Hit at Show

Food distributors take interest in refrigerated less-than-carload-lot containers. Small towns now enjoy a full menu of perishable delicacies.

IN RAIL SERVICE it's a simple proposition to lay down a Boston ear of frozen cod fillets, all rock-solid, at Cleveland or Chicago. Distributors in those cities can whisk deliveries around to local retailers, but if they attempt to distribute as far away as Fostoria, O., or Peoria, Ill., the fillets are apt to arrive in none-too-good condition. And since distributors in these small towns can rarely dispose of carload lots, the fish packers lose sales, which in the aggregate might bulk pretty large, and small-town inlanders don't eat much frozen fish.

Transportation men and shippers of perishable products have long realized that the problem of shipping perishable products into small, scattered markets could best be solved by the establishment of an efficient system of shipping perishable products in refrigerated less-than-carload-lot containers. That's why demonstrations of two l.c.l. containers, developed separately by Elihu Church of New York and Howard Zimmerman of Chicago succeeded in drawing the biggest crowds of any of the exhibits which were staged at last week's Chicago convention of the National Food Distributors Association.

Church and Zimmerman tackle the problem from opposite directions but

they get essentially the same results. Church retains ownership of his containers, charges for the use of them, lets the Railway Express Agency handle the shipping of them. Zimmerman, on the other hand, sells his boxes to the railroads and is also thinking of selling them to truck lines—and also to shippers, if ever the freight rate-makers will yield some needed concessions. Two weeks ago Jones Dairy Farm of Ft. Atkinson, Wis., appeared before a rate hearing in Chicago to plead that Zimmerman containers be accepted loaded at the rate for the net contents and be returned empty at a very low rate. If this should be conceded, Jones Dairy Farm could keep on making and selling Little Pig Sausage the year around, instead of shutting down from the early spring to late autumn.

Build Up Business

The express agency has 50 Church containers shuttling around the country busily, is getting 100 more of them right away. Each holds about 350 lb., depending on the commodity, and a tank that will take dry ice or natural ice. In use since last February, their principal loadings have been fish, fruit and vegetables, butter, serum and vaccines, deli-



Zimmerman containers (above—being packed by a railroad employee), are sold to railroads, may be used by truckers and shippers as well.

Our advertising kit

Our advertising kit has three tools: business judgment, skill in our craft, and a painstaking habit best described in the maxim, "Not how much, but how well."

Just three tools, but like a good journeyman's, they are kept well sharpened!

**Newell-Emmett
COMPANY**

Advertising Counsel

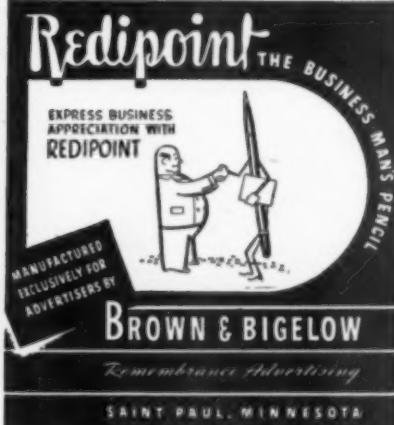
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**CUT YOUR
HANDLING COSTS WITH
DOENUT
WHEELS**



Doenut wheels move merchandise and machines with 95% less labor. Prolong life of equipment, protect floors, absorb surface vibrations, reduce noise. Do not sink in sand or soft ground. Developed by the inventor of the air wheel. Four year performance record on wheelbarrows, mowers, grease guns, spraying equipment, castors, trucks, etc. Write for illustrated literature and mention uses you contemplate.

MUSSELMAN PRODUCTS CO. 6314 St. Clair Ave., Cleveland, Ohio.



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McGRAW-HILL

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By J. M. Clark, Professor of Economics, Columbia University. A concise explanation of how the various systems of control of business and industry operate under the different governmental systems of Russia, the Fascist states, and America. Second edition. 525 pages. \$5.00



2. MODERN MARKETING

By C. W. Barker, Professor of Marketing and Merchandising, and Melvin Anshen, Associate Professor of Marketing, Indiana University. An up-to-date treatment of the various processes, agencies, and activities related to the marketing of goods and services. Covers recent developments in the chain store field, super-markets, etc. 325 pages. \$2.75

3. CORPORATE SURETYSHIP

By G. W. Crist, Jr., Vice-president, Fidelity and Deposit Co., of Maryland. Here is the ABC of corporate suretyship, for field men, company men, agents and brokers, giving a practical treatment of the whole subject, from organization and management of a surety company to an analysis of each special type of surety bond. 429 pages. \$4.50

4. LABOR ECONOMICS AND LABOR PROBLEMS

By Dale Yoder, Professor of Economics, University of Minnesota. Covers such important developments as the contributions to wage theory made by monopolistic competition; the present nation-wide system of unemployment compensation; proposed amendments to the Fair Labor Standards Act; anti-union legislation, etc. Second edition. 668 pages. \$3.50

5. TRAINING FOR THE MODERN OFFICE

By Edwin M. Robinson, Professor of Management, Boston University. Explains what is done and how to do it in all departments of the modern office, and gives helpful material on getting an office job and keeping it. Gives the reader a functional understanding of the work with which he may come in contact in a business office. 560 pages, illustrated. \$1.96

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McGRAW-HILL BOOK CO., INC.
330 W. 42nd St., N. Y. C.

Send me the books enclosed below for 10 days' examination on approval. In 10 days I will pay for the books plus few cents postage, or return them postpaid. (Postage paid on orders accompanied by remittance.)

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Name _____
Address _____
City and State _____
Position _____
Company B.W. 9-2-39
(Books sent on approval in U. S. & Canada only)

cate cheeses, ice cream, hatching eggs, fresh photographic film.

A North Carolina fishery has built a nice plus volume with the back country towns. A Tulsa, Okla., fish wholesaler writes ecstatic letters to his Puget Sound supplier. Missouri hatcheries have extended their markets for hatching eggs to Florida and California. St. Paul and Minneapolis makers of livestock serums keep several Church chests traveling between the plant and the big stockyards centers of the Middle West. New uses bob up every month.

Penetrating the Small Town

Now Church has an electric-lighted display top that sells for \$75 to small-town merchants who cannot afford expensive refrigerator cases for merchandising frozen foods. The store equipped with the display top receives an express shipment, 300 lb. or more of frozen food. Folding back the lid, the storekeeper sets the display top on. After 24 hours the store pays the express agency demurrage of 50¢ a day on the container. The shipper puts in enough dry ice to last several days.

Zimmerman puts out a couple of big containers—7,000 lb. load limit at \$375, and 3,000 load limit at \$215—and one at \$90 of about the same capacity as Church's express model. Each container is equipped with a special jack, and a station agent or brakeman can handle a container comfortably. The Erie has 10 of the big ones, Monon 15, C. & O. 6, Rock Island 35. The Rock Island's experience now extends for 32 months, during which it has had no freight claims or repair costs on this equipment and has saved a pretty penny in collecting, handling, icing, and discharging small refrigerated shipments.

Sees Profit in New Method

A Chicago fish distributor has experimented with the Zimmerman 350-lb. box on motor truck lines, laying down frozen shrimp in 300-mile shipments at -20° in mid-August. Big advantage he sees in the method over shipping by refrigerator truck is that the sealed boxes reach the consignees unopened with contents frozen solid, cannot go slack as some fish may if a refrigerator truck's doors are opened too often or if circulation fails around some portion of the cargo. His point: his customers cannot make their profits on his freight claims, however successfully collected.

Zimmerman's boxes handle dry ice for frozen shipments, natural ice and brine for fresh merchandise. Also, each big box comes equipped with a charcoal briquet stove guaranteed to hold the box interior at 70° in even the coldest weather. Many shippers, as a consequence, have been able to distribute in the winter less-than-refrigerator-carload shipments of liquids in glass and other goods that can't stand freezing.

Buys Bakelite Corp.

Union Carbide & Carbon enters plastics field. Other big companies may do same.

WITHOUT FANFARE, without even an advance rumor to tip off the youthful, up-and-coming, chaotic plastics industry, the news broke on Wednesday of this week that the directors of Union Carbide & Carbon Corp. had approved the acquisition of all the assets of Bakelite Corp. the day before.

Thus with the exchange of 187,000 shares of Union Carbide & Carbon common stock (with a current market value of \$15,000,000) for all the preferred and common stock of Bakelite (total assets about \$14,000,000), Carbide at one stroke adds a valuable newcomer to its widely diversified interests and enters the lists with du Pont and Monsanto as one of the "Big Three" in plastics.

Significance of the deal to the plastics industry and to industry as a whole will be best appreciated when the whole trend toward integration in the plastics (and chemical) industry is compared roughly with the realignments and mergers in the steel industry, which started back in the 90's, and with the more recent emergence of the "Big Three" in the automobile industry. It is not too much to expect that integration will mark the same sort of milestone for plastics and produce the same sort of bulge in distribution that it has done in the automobile and steel industries.

A Logical Development

Credit for the deal goes to Carbide's R. W. White and Bakelite's George Baekeland, son of the inventor and founder, Dr. L. H. Baekeland. Carbide had already been supplying Bakelite with a big share of its basic raw chemicals and materials. When they noted jointly that du Pont had already integrated itself to produce the raw materials for its line of half a dozen varied plastics, and that more recently Monsanto had also bulked itself, it was a smart and logical next step for Carbide to add Bakelite's comprehensive line of synthetics (phenolics, cellulose acetates, urea-formaldehydes, poly-styrenes) to Carbide's vinyl resins ("Vinylite" for sandwiching the new high-test safety glass, and the still unannounced "Vynylon" for the production of synthetic yarn).

Observers of business developments will look with interest for counter-moves and even for new alignments among competitive suppliers of plastic molding powders and materials, including General Electric, Westinghouse, General Plastics, Celluloid, Röhm & Haas, Dow, American Cyanamid, Plaskon, Marblette, Corn Products Refining, Formica, Hercules, Tennessee Eastman, and several other organizations.

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Church Freight Service's insulated container for shipping perishable foods, can be equipped with a display top, used in retail stores (see pages 33-34).

45 Bottles a Minute

That's the rate at which new machine makes and fills fiber milk bottles.

LAST WEEK, General Machinery Corp., Hamilton, O., held a two-day christening party for a new machine that makes and fills milk bottles, all in one continuous operation.

Called the Reed San-O-Matic, the machine has just been completed for Reed Container Sales Corp., 155 E. 44th St., New York. Before the party was over, the governor of Ohio, three mayors, one congressman, and an assorted flock of health commissioners, milk inspectors, and dairy experts had seen the automatic outfit make and fill fiber milk bottles at the rate of 45 per minute.

Filling a magazine with spruce- or pine-fiber blanks, in sizes to make quart, pint, or half-pint bottles, as the only hand operation. A suction device lifts one blank at a time from the magazine and guides it through a glue spreader. One of several cylinders on a revolving turret spins the bottle into its round shape, inserts a bottom, and caulked it. From the center of the cylinder, a metal finger emerges



Made and filled in a single machine, Reed fiber milk bottles come in quarts, pints and half-pints.

to push the bottle off and into the clutches of a conveyor chain which holds it tight. The chain sweeps the bottle through a chamber to be sprayed outside and in with hot paraffin and then turns it upside down to drain.

Presently the chain turns rightside up and gives an electrically heated hood a chance to descend upon the bottle and form the characteristic three-cornered top of the Reed bottle. Two mechanical fingers transfer the bottle from the first conveyor to a second which rides it through a refrigeration unit to cool the paraffin. Two more fingers transfer the bottle to a third conveyor chain which carries it around an orthodox rotary filling device to get its charge of milk, and on to the sealing device.

Just before the bottle reaches the sealer, an automatic cutter severs three clips from a continuous roll of tinned steel. A capping device descends upon the tricorn bottle top, bends the clips over, and seals the bottle. One of the three

clips is embossed. To open the bottle for use, lift the embossed clip, press the tricorn, and the unsealed edge pushes out to become a handy pouring spout. To reseal the bottle, squeeze the spout back, and let down the upraised clip.

Adoption of the machine would bring about a considerable simplification of dairy operation. Washing and sterilizing machinery for glass bottles would be unnecessary. Heavy bottle crates would be displaced by light cartons. Since the new fiber bottle is unreturnable, the dairy and its customers would run no risk of infections from bottles returned in insanitary condition. Losses on broken and lost bottles would be out.

These are, of course, the arguments which have been advanced in behalf of the paper cartons ever since they came on the market a few years back. Now, with the streamlined production machinery, they can give the traditional milk bottle even a tougher run for its money, but they still have to contend with the archaic restrictions of municipal health authorities. Last week in Chicago, for example, the Dean Milk Co. (BW—Dec 3 '38, p 34) was taking its long-standing fight to the courts in an effort to win the right to distribute milk in paper bottles in the Windy City.

Bonneville Research

JUST WHEN THE WORLD of laymen thought the utility world had standardized on alternating current for long-distance electric power transmission, up bobs a direct-current research project which will occupy Bonneville engineers for three months or more. Longest a.c. lines in the country are the 235-mile, 220,000-volt circuit between Bonneville and Grand Coulee dams and the 275-mile, 287,500-volt circuit between Boulder Dam and Los Angeles. Hope is that d.c. may permit longer, cheaper lines to serve more territory.



Last week, the Reed San-O-Matic machine, which makes and fills fiber milk bottles automatically, took the stage for its first public showing.

NEW PRODUCTS

Printing Calculator

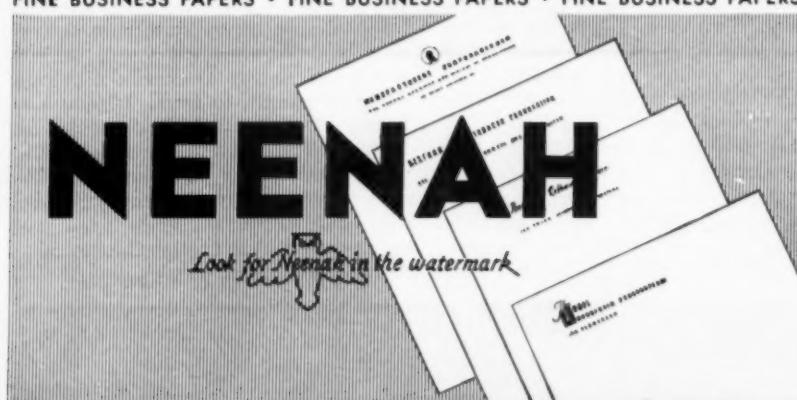
FIRST TO BE ANNOUNCED of the 1940 line of Remington Rand, Inc., Buffalo, N. Y., is the new Remington Rand Printing Calculator which not only provides electrical



addition, subtraction, multiplication, and division, but prints all the factors in every calculation. Two additional features are direct division, replacing the method of



FINE BUSINESS PAPERS · FINE BUSINESS PAPERS · FINE BUSINESS PAPERS



Time was when letterheads were drab affairs, with scroll types, lists of officers, unsightly plant pictures—when one letterhead served all requirements.

Not so today. Modern business uses several letterheads, in sales promotion, for executive correspondence, for interplant memoranda. Colorful and attractive, they win prestige and make sales.

That is why *Neenah* has more than one grade among its fine rag content papers. Some are priced low enough for volume use; others reflect the dignity of managerial signatures. There is a *Neenah* paper for almost every business need.

Ask your printer or lithographer to recommend the grades you should use. Write us for the story of how they are made, and for samples.

Fine Rag Content Bonds, Ledgers, Index and Lightweights

MANUFACTURED BY NEENAH PAPER COMPANY, NEENAH, WIS.

FINE BUSINESS PAPERS · FINE BUSINESS PAPERS · FINE BUSINESS PAPERS

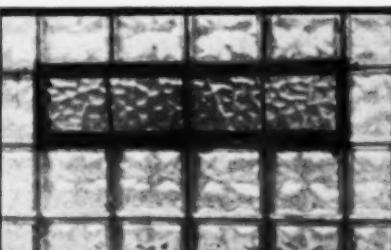
using reciprocals, and a semi-automatic decimal indicator. The machine is also available with a 13-in. paper carriage.

Photo Film Preservative

APPLIED AS A LIQUID to the emulsion side of a finished photographic film, Cinelac Film Preservative, marketed by American Bolex Co., 155 E. 44th St., New York, toughens the film against scratches and cracks.

Winco Ventilator

SET IN A GLASS block wall, the Winco Ventilator, which swings open for practically draftless air circulation, is so de-

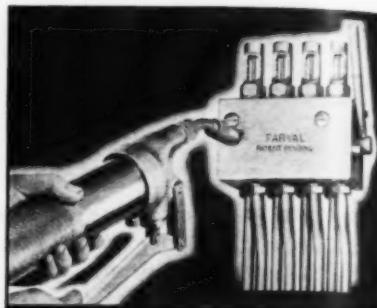


signed that it keeps out both rain and insects. Winco Ventilator Co., St. Louis, Mo., makes it in five different shapes out

of stainless steel furnished by American Rolling Mill Co., Middletown, O.

Multiple Greaser

WITH THE NEW Farval DX Multiple Measuring Valve, several bearings on a machine can be lubricated with grease at a single shot. Connect a grease gun to the inlet port, and a tell-tale indicator on each valve stem will show when each bearing has received its prescribed allotment. Farval Corp., Cleveland, points



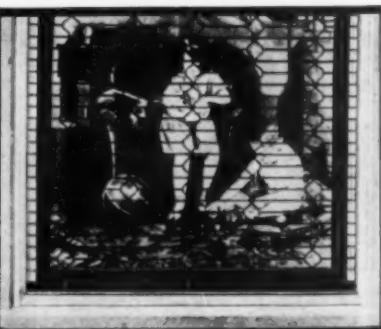
out that there are neither springs nor check valves in its device.

Industrial Noise Analyzer

FLAWS IN RUNNING machinery of all kinds reveal themselves through the Industrial Noise Analyzer developed by Electrical Research Products, Inc., 195 Broadway, New York. An electrical acoustical device, it detects abnormal sounds instantly and informs the operator that his machine is defective before an actual breakdown. One manufacturer of canned liquids is already using one of the analyzers to detect pellets of solder which may drop in during the filling and sealing operations on the assembly line.

Anti-Kidnap Window Grilles

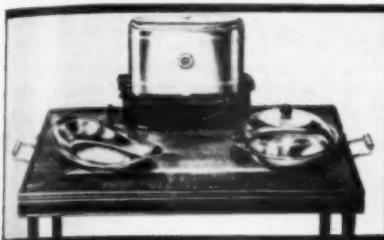
ON SPECIAL ORDER, Kinnear Mfg. Co., Columbus, O., will build its well-known Metal Rolling Grilles for the windows of offices, bedrooms, nurseries, and any



other rooms requiring special protection. Composed of metal bars and ornamental links, they operate on the principle of a window shade, being out of sight when in the raised position. Materials available are steel, stainless steel, bronze, and aluminum.

Tray-Table Set

EARLY LAST FALL, Crocker-Wheeler Electric Mfg. Co., Ampere, N. J., brought out the Toast-O-Lator, the conveyorized appliance which takes in bread at one end and delivers toast at the other. Now the company is bringing out the Toast-O-Lator Tray-Table Set which includes the



appliance itself, a chromium-plated bread tray, a covered toast bowl, and a collapsible tray-table whose legs flip up out of the way when undesired.

PRODUCTION ANGLES

Corn Plastic Production

COMMERCIAL PRODUCTION of "zein," the new corn plastic developed by Corn Products Refining Co., is under way at its Pekin, Ill., plant. Described as an "aqueous alcohol soluble protein," it will be marketed under the name of "Mazein" for molding, laminating, paper coating, and other purposes, either alone or in combination with other resins.

New Books and Booklets

(1) AMERICAN MANAGEMENT Association, 330 W. 42nd St., New York: (a) "Public and Industrial Relations in Production," 75¢; (b) "Quality and Inventory Control," 75¢; "A Symposium on Unit Costs," \$1. (2) American Standards Association, 29 W. 39th St., New York: "American Standard Inspection Requirements for Motor Vehicles," 25¢. (3) Department of Commerce, Washington: "World Chemical Developments 1938," for sale by Supt. of Documents, Washington, 25¢. (4) General Motors Corp., Dept. of Public Relations, Detroit: "Research Looks to New Horizons," gratis.

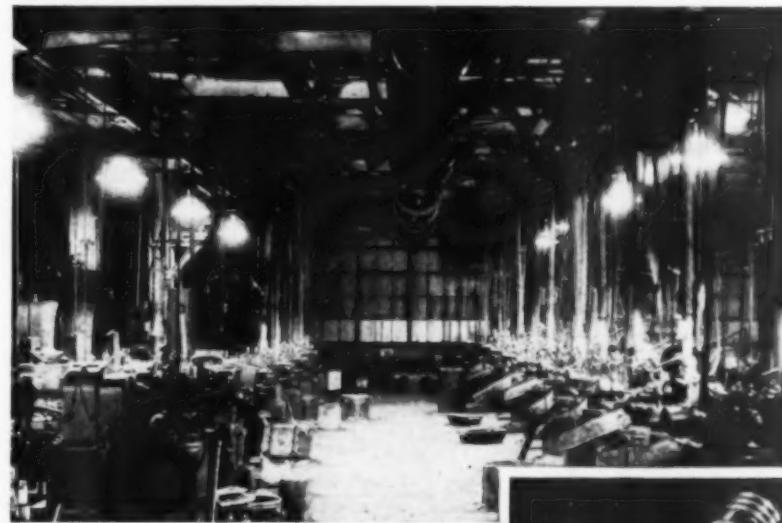
Rubber Bands for Buds

DURING THIS YEAR'S rose and citrus budding season in California, growers have been using 6,000,000 highly specialized rubber bands monthly in preference to the more orthodox raffia ties. Each band is a strip of rubber 4-in. long and $\frac{1}{16}$ -in. wide, which is wrapped around the bud, holding it firmly yet gently to the stem to which it is grafted. Rubber Band Service Co., Glendale, Calif., which originated the band, compounds the rubber in such a way that the sun's light and heat will disintegrate it in about 30 days, eliminating "going back labor." Similar bands are beginning to be used for budding peaches and avocados.

*believe it or not
IT'S THE SAME SHOP!*



BEFORE the Aetna Ball Bearing plant in Chicago installed modern lighting, a Light Meter check-up revealed insufficient light and spotty distribution of light for easy seeing. This was caused principally by poor spacing and mounting of fixtures and the use of wrong size lamp bulbs.



AFTER the plant was light-conditioned, seeing conditions were greatly improved. Present installation includes Glassteel Diffusers spaced on 12-foot centers, each equipped with a 300 watt G-E MAZDA lamp, the kind that stay brighter longer.

Light Sensitive Cell



Ask your electric service company to measure your lighting with one of these G-E Light Meters.



G-E MAZDA LAMPS
GENERAL ELECTRIC

MONEY AND THE MARKETS

FINANCE · SECURITIES · COMMODITIES

Stock Traders on Anxious Seat

European crisis prevents security prices from vigorously following the summer rally in business. Commodities move up, independently of stocks.

FOR A LONG TIME NOW, stock traders have been on the anxious seat. And, particularly this week, they have been saying to themselves:

"If war comes there is bound to be selling in stocks. That selling will come at a time when buying support will be very scanty. Hence there is bound to be a sharp break. Yet these markets have discounted war pretty much, and the ensuing rally is likely to come very quickly and to be equally sharp. Probably we can't get out on the drop or in again on the comeback."

So they have continued to stay pretty much on the sidelines—this week just as in the preceding weeks of the Danzig crisis. Of course, when the news blew hot, stocks would respond mildly; likewise when it blew cold. But the swings were so erratic, trading opinions so diverse, and the news so inconclusive that there was nothing which could be called a trend. And the movements were accompanied by such a small volume of trading that old-timers paid little attention.

Yet there has been one thing that

traders and investors alike just can't get around. Business has been coming back at a time when stocks have been depressed by the foreign situation. Prices of securities this week and last were further than ever behind the industrial outlook because of the decline which has resulted from crisis after crisis over Danzig and the Polish Corridor.

Chronicling Results of Tensions

Moreover, the record the stock market has written this last month indicates all too clearly how each made-in-Germany crisis has, one after another, made a more and more serious impression on the financial world. Look, for a moment, at the last two years' record of the "war of nerves":

March, 1938. With the seizure of Austria, Hitler made an actuality of the dread "Anschluss." The American stock market was in the final stages of the collapse which had begun the previous August. BUSINESS WEEK's index of business activity was down to 80.2 for the month of March, registered only 75.6 for June. And with business bad—and get-

ting worse—stock prices, as represented by the Standard Statistics average of 50 industrial issues, went no lower than 83.6.

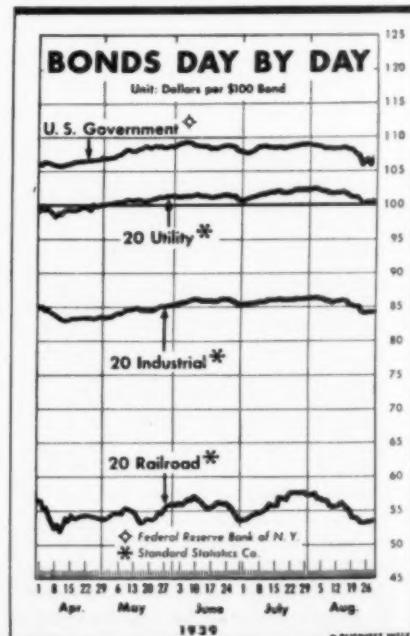
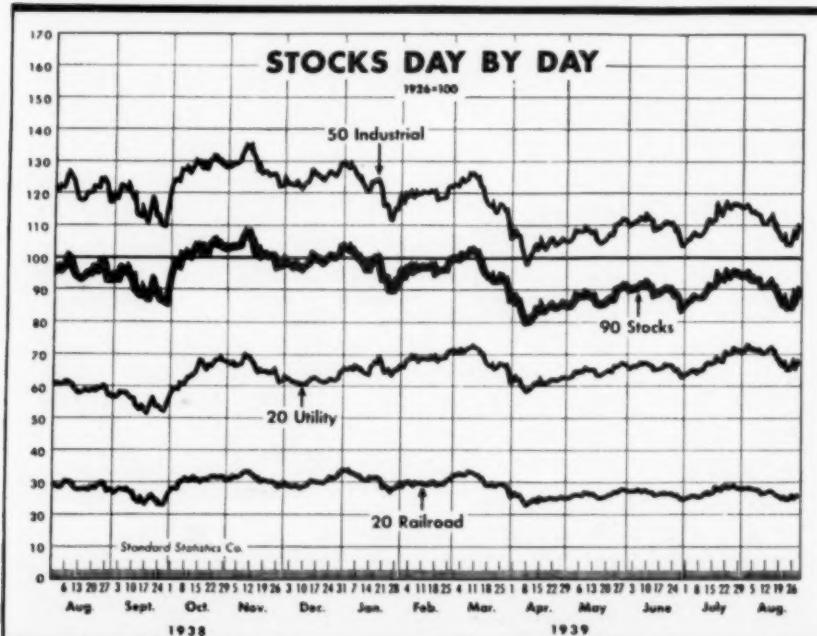
September, 1938. The Reich demanded that Czechoslovakia give up the Sudetenland, got its demands in the "Peace of Munich" late in the month. At that time BUSINESS WEEK's index had recovered only to 89.8 (for the month), but the index was on its way up to the December peak of 104.3. And, although business hadn't quite achieved the 90 mark, the Munich crisis did not put the stock price average below 110.

March, 1939. Hitler seized Czechoslovakia, and, later, Mussolini grabbed Albania. The stock market average broke from 127 early in March to a low of about 99; the business index, meanwhile, slid from a level of 99.2 for March to the year's low of 92.8 in May. Thus the Czechoslovakian crisis, at a time of dipping business activity, barely shoved the stock average below 100.

August, 1939. Business in the United States began a robust upswing in May and it continued through August. Yet stock prices rallied only to a point fractionally above 118. From that level, the stock average dropped to the low of 104 recorded a few days ago. And BUSINESS WEEK's index for August will average out a nice 101½.

From the foregoing it will be seen just how reluctant stock prices were to follow this summer's comeback in business because of Europe's dizzy game of power politics. The stock rally was puny. Yet business was showing signs of a good deal of virility.

Stock prices on the eve of the Danzig-Poland crisis, as has been noted, were only 118; on the eve of the Sudeten crisis 11 months earlier they had been 126.



Date	Aug. 1	Aug. 2	Aug. 3	Aug. 4	Aug. 5	Aug. 6	Aug. 7	Aug. 8	Aug. 9	Aug. 10	Aug. 11	Aug. 12	Aug. 13	Aug. 14	Aug. 15	Aug. 16	Aug. 17	Aug. 18	Aug. 19	Aug. 20	Aug. 21	Aug. 22	Aug. 23	Aug. 24	Aug. 25	Aug. 26	Aug. 27	Aug. 28	Aug. 29	Aug. 30
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The Munich crisis in the Danzig-Poland crisis is the Bushnell at 89.8 down to 101½ due to the debacle. Much better the present year ago.

The increasing influence of Europe, longer duration of any peace in Munich, business improvement, comprehensive problems.

Ebb and Flow of the Markets—And Crises

Date	Event	Price Averages		
		Stocks*	Bonds*	Index‡
Aug. 1	France, England, Russia begin 3-power military talks	116.2	82.3	141.9
2	Chamberlain wins vote dissolving Parliament	117.1	82.4	142.0
3	Germany and Italy announce summer military maneuvers	116.6	82.5	141.3
4	Chamberlain threatens to send fleet to Far East	114.4	82.1	141.2
6	Poland warns Germany against use of force in Danzig	...	...	...
7	Danzig offers to negotiate customs disputes with Poland	113.9	82.0	141.0
8	Foerster confers with Hitler at Berchtesgaden	114.1	81.9	140.2
10	Ciano leaves for conference with Hitler	110.9	81.3	139.4
11	Ciano sees Ribbentrop. Foerster again sees Hitler	111.0	81.4	139.1
12	Nazi press warns Britain to stop encirclement	112.2	81.4	...
13	German ambassador leaves Paris	...	...	...
14	Berlin expects delay on Danzig issue	113.2	81.6	138.6
15	England and Germany declare there will be no "new Munich" over Danzig	114.3	81.8	138.4
16	Hitler demands both Danzig and the Corridor, concentrates troops along Polish frontier	111.2	81.5	138.8
17	Poland ignores Germany's terms. Reich press renew agitation	111.2	81.3	139.4
18	Germany takes military possession of Slovakia	108.9	80.8	140.2
19	Germany orders Slovak troops to Polish border. French, English and Russian negotiations become snarled. Britain calls special cabinet meeting	108.4	80.8	...
20	Poland shifts large bodies of troops to the border as German troop movements increase. Foerster, addressing Danzigers, warns, "There is a storm coming!"	...	...	...
21	Germany announces a non-aggression pact with Russia. Britain and France stunned	106.1	80.4	140.3
22	Britain and France renew pledges to Poland, rush mobilization. Von Ribbentrop flies to Moscow	108.3	80.3	140.1
23	Ten-year non-aggression pact signed. Hitler demands Poland capitulate. Henderson flies to Hitler with British note, leaves speechless after 15-minute tirade by der Führer	104.9	80.1	140.7
24	Hitler installs Foerster as Danzig chief of state. Parliament gives Chamberlain wartime powers. Roosevelt appeals for peace	104.7	79.5	141.3
25	Hitler sees British ambassador, offers his "best" terms. Berlin communication with outer world cut off for six hours. British Equalization Fund removes its support from the pound, which immediately falls to \$4.48	106.8	79.5	141.3
26	Britain drafts new note to Hitler. Germans put on emergency food rations	109.6	79.8	...
27	British note insists on safeguarding Poland's rights. Hitler writes Daladier he can't give in. Britain begins mobilization of securities abroad	...	...	...
28	Henderson flies to Hitler with new British note, has an hour-and-a-quarter conference with him. Crisis abates as Hitler promises quick reply	107.9	79.5	140.6
29	Hitler's new note keeps negotiations open, but military preparations hourly increase	111.0	79.8	140.8
30	Britain replies to Hitler's note. France puts its railroads under military control	109.8	79.8	140.3

* Standard Statistics

† Moody

The Munich low last September was 110; the Danzig low this August was 104. Strikingly at odds with these stock prices is the BUSINESS WEEK index which stood at 89.8 during the Munich crisis and at 101½ during this latest diplomatic debacle. No one need even mention how much better corporate profits are at the present time than they were a year ago.

The inescapable conclusion, then, is that the markets have been telling an increasingly pessimistic story of affairs in Europe. The marketplace could no longer derive any great consolation from any patched-up peace such as that of Munich. It would reflect domestic business improvement only if there were a comprehensive settlement of the basic problems—or if nervous tension were re-

lieved by actual outbreak of hostilities.

Somewhat the same is the lesson to be drawn from the commodity markets, although the manifestations are quite different. Showing with what seriousness traders have regarded the situation, the "war babies" among the commodities have refused to follow the trail blazed by stocks in this crisis. In fact, many of the vital industrial raw materials have risen at the very time when stocks have been at their weakest.

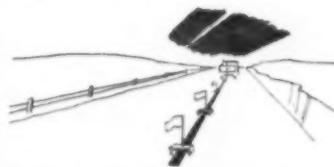
This has not been the case in past crises. Commodities heretofore have been prone to follow stocks down, to rally with securities. But recently European nations have been buying commodities most avidly, and prices, have, as a consequence, moved independently of the stock market.

KOPPERS CENTER LINE MARKER

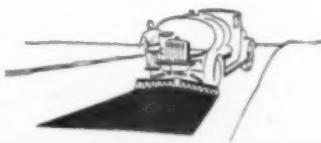
CHOSSEN FOR
ITS SKID-RESISTANCE



A VERY SMALL SLIPPERY SPOT on a road may give a car a sideward impetus. The pavement may not have sufficient skid-resistance to overcome that motion, once it is started.



ONE OF THE OUTSTANDING CHARACTERISTICS of tar road materials is their skid-resistance. A center line marker made from a coal tar base possesses this very desirable property of skid-resistance. For this reason, state and county highway departments are using more and more Koppers Center Line Marker, which has a coal tar base.



KOPPERS PRINCIPAL ROAD TAR MATERIAL, Tarmac, used for the construction and maintenance of roads and streets has been known among highway engineers for years to produce highly skid-resistant pavement surfaces.

LET KOPPERS SOLVE YOUR PROBLEMS

Other Koppers products which provide extra qualities for you are: Coal and Coke, Coal Preparation Systems, Coke and Gas Plants, Purification and Recovery Equipment, Boiler and Industrial Electric Power Stations, Industrial Chemicals, Creosote, Municipal Incinerators, Castings, Special Machinery, Fast's Couplings, American Hammered Piston Rings, D-H-S Bronze, Material-handling Systems, Pressure-treated Timber Products, Tarmac Road Tars, Coal Tar Pitch Roofing, Waterproofing, Ships, Barges.

Koppers Company, Pittsburgh, Pa.

KOPPERS

JUST OFF THE PRESS
A NEW 14-PAGE ILLUSTRATED BOOKLET ON
OFFICE NOISE-CONTROL

LEARN how you can quiet noise in your office—increase the efficiency of your staff—with sound-absorbing ceilings of Corkoustic and Temcoustic. Write for *Tune Out Noise*. Armstrong Cork Company, 1236 State St., Lancaster, Pennsylvania.



**Armstrong's
CORKOUSTIC**

Pick Men in Crisis

Financial leaders chosen for two committees, to guard U. S. economy from war shock.

DETERMINATION OF FEDERAL authorities to do everything possible to save the national economy from war shock was tangibly demonstrated on Wednesday when George L. Harrison, president of the Federal Reserve Bank of New York, named Gotham "money market committee." Its membership reads like the blue book of finance and its appointment followed formation of a foreign exchange committee a few days earlier.

Establishment of these two committees grows out of a fortnight of heavy conferences between Treasury and Federal Reserve authorities. There is small doubt that the money market committee was set up to prevail upon institutional holders of securities not to sell out in a crisis. The foreign exchange committee is designed to help the stabilization fund maintain order in the dollar-franc-pound market and to smell out any traces of foreign speculative raiding of the currencies.

Named to New Organization

On the "money committee" representing the commercial banks are James H. Perkins, chairman of the National City Bank; William C. Potter, chairman of the Guaranty Trust Co.; Leon Fraser, former head of the Bank for International Settlements and now president of the First National of New York; Winthrop W. Aldrich, chairman of the Chase National Bank, and J. C. Traphagen, president of the Bank of New York.

Henry S. Morgan of Morgan Stanley & Co. represents the investment bankers, while Charles A. Miller, chairman of the Savings Banks Trust Co., will serve for the savings group. William McC. Martin, Jr., president of the New York Stock Exchange, is the Big Board's man, while a representative of the insurance companies is to be named later.

FINANCIAL ANGLES

Flight of Capital

EVIDENCE OF THE EXTENT to which foreign capital is seeking sanctuary in the United States daily becomes more voluminous. Most timid of all foreign funds are those which come to this country, not for investment, but simply to lie idle pending the turn of events abroad. This shows up largely in bank deposits. As long ago as June 30, 1938, some \$332,000,000 was on deposit for foreigners in Federal Deposit Insurance Corp. insured banks. The total jumped to \$512,370,000 at the end of last year, and there was a further rise to \$608,853,000 in the first

half of 1939. And this doesn't include any of the short- and long-term investments of foreign capital in this country.

Tire Business Good

SHIPMENTS OF TIRES by rubber manufacturers in the United States in July continued to show the wide gain over a year ago which has characterized 1939. The manufacturers sold 5,055,637 tires in July (about 500,000 more than they manufactured, so that their finished inventory declined further to 8,300,000 casings). Shipments for the same month last year were only 3,870,000 tires. Meanwhile, the companies have been favored with fairly stable crude rubber prices this year, obviating any important inventory losses. The result of better sales and stable raw material prices was a good gain in earnings of the rubber companies in the first half of their fiscal years. United States Rubber, for example, earned \$4,465,397 in the six months ended June 30, against a deficit of \$239,213 in the 1938 period; Good-year's profit was \$9,610,595, against \$1,669,828; Goodrich reported net of \$3,122,728, against a deficit of \$209,531; Firestone, in the six months ended April 30, earned \$2,851,538, against \$2,429,738 in the same period a year ago.

Dove of Peace

CUSTOMERS OF HECKER & CO., Philadelphia brokerage firm, were surprised last Tuesday afternoon to see a pigeon flutter through a window and settle on the stock ticker. Needless to say, those present decided it was a dove of peace. No such luck. It was a publicity pigeon from New York bearing an aluminum tag on its foot proclaiming, "World's Fair." Meanwhile a figurative dove of peace settled on the shoulders of the World's Fair's Grover Whalen. Mr. Whalen received the assent of 54% of the holders of the fair's bonds to his plan for meeting past due bills out of funds heretofore earmarked for the bondholders (BW—Aug 19 '39, p 42). Upon receipt of assets totaling barely more than half the bonds, Mr. Whalen at once declared the plan operative.

Silk Squeeze

TALK OF THE SHORT supplies of raw silk in this country probably has become a bit of a bore to most people. However, it was a pretty acute proposition to a few people last Monday. The August contract for future delivery was expiring on New York's Commodity Exchange at noon and, during the last five minutes of trading, there were a few speculators who had neglected to cover their short positions. They bid frantically, and in those few moments the price of the August contract was whirled up from \$2.64 to \$2.88 a lb. Inasmuch as a contract in silk involves 1,300 lb., a 24¢ jump in price means a loss of about \$300 on each contract covered at or near the top price.

BUSINESS ABROAD

FOREIGN TRADE · INTERNATIONAL AFFAIRS · FOREIGN INDUSTRY

More Controls for Business

Germany, Britain, France, and Japan decree more regimentation of business in crisis. Soviet Union creates new farm controls to smother capitalism and meet labor shortage. Canada is prepared.

GOVERNMENTS with dictatorial powers—in democratic and totalitarian countries alike—tightened their grip over business this week (*BW*—Aug 26 '39, p31).

Germany, still the pacesetter, issued ration cards for virtually all of the staples of life except bread and potatoes. Britain, apparently unworried over its food supply no matter how great the crisis, set up drastic controls over all foreign securities held by citizens to prevent their being sold outside the country; Britain is thinking in terms of the future emergency credit needs in foreign currencies. The Japanese announced a new centralized steamship company in which 11 of the country's biggest shipping lines will have a part and which will probably be given a monopoly—with Tokyo's blessing—over all trade between Japan and China. Italy planned to initiate rationing with a rigid gasoline restriction law beginning Sept. 1. And France made it a criminal offense for workers in the munitions industry to leave their jobs without special permission.

Except for the startling collapse of the pound (it dropped as low as \$4.12 from a normal, recently, of \$4.68, and recovered around \$4.40), markets everywhere withstood the week's shocks and violent readjustments with remarkable calm. Many currencies in the sterling bloc decided to cut loose from their London moorings, but reactions so far on foreign trade and domestic business have been only nominal. Except for the arms industry, which continues at the mad pace of the last few months, business is remarkably steady.

Russia Taxes Farmers

Moscow (Wireless)—The Kremlin gates stood open again this week as Russia's parliament assembled, presumably to ratify the Russo-German non-aggression pact, but the news which came out from the first sessions of the congress was about Soviet farming problems, and not about Europe or war.

To the assembled representatives from all over the Soviet Union, Kremlin offi-

cials explained a problem, and proposed a solution, which was accepted.

Though the Soviet Union has now, for more than 20 years, been trying to put into effect in the remotest parts of the country the economic forms of Communism, it still has not been completely successful.

One of its most annoying problems lately has been the growing independence of farmers who, though they are nominally members of a collective farm, have been allowed to have small private plots of ground which they operate on the profit basis familiar to the Czarist days. Many of these workers are now spending more time on their private plots than on the farm work of the collective, with the result that they are receiving double income, creating a serious labor

shortage on the collective during the peak of the harvest season, and causing a general breakdown of discipline.

Solution proposed by the Kremlin, and accepted by parliament, is to tax these farmers (and a million others who—even after 20 years—are still operating their own farms much as they did in the pre-Soviet days) to the point where they will find themselves compelled to enter the collective.

Taxes, under the new plan, will be collected by Red Army men, and on a graduated basis ranging from 5% to 13% of total income (to 25% in the case of the private farmer who has never joined a collective). Purpose is to (1) smother the reviving capitalist instinct among the peasants, (2) overcome the harvest period labor shortage on the collectives, and (3) force surplus workers to move to industrial centers where they are needed in the Soviet Union's rapidly growing factories.

Ration Cards in Reich

BERLIN (Cable)—This week, even before a gun was fired or a soldier had moved into enemy territory, Germans felt the full pinch of a war economy of the sort they had not experienced until almost three years after the World War had started.

Wakening from uneasy sleep one morning they turned on their radios and discovered that their daily living was being

Just Looking Around



Wide World

The California Clipper, Pan American Airways' sister ship of the Yankee Clipper, last week soared up out of the lagoon on San Francisco's Treasure Island (above) and set off for New Zealand. Though it's strictly a survey flight this time, to study wind, weather, harbors and channels along the 8,000-mile route, the Clipper will soon be making the trip on a regular schedule—San Francisco to Auckland in four days.

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placed on a ration card basis. Butter, eggs, cocoa, and coffee had been sold all year on a restricted basis; from the end of August, soap, household coal, meat, milk, sugar, marmalade, tea, rice, certain textiles, shoes were added to the list.

Shops were crowded all week with anxious housewives eager to receive their ration cards, lay in supplies of whatever articles they could still buy freely, and possibly hoard an extra pair of silk stockings or a linen handkerchief. Limit, under the new war order, is half a dozen handkerchiefs or stockings for each woman. Men are allowed two suits, two pairs of shoes, and an overcoat.

Economy on a War Basis

Full details of the plan are still not known, but Germans this week felt the full force of a dictated economy (BW—Aug 26 '39, p31). No express trains were running, and fewer than 20% of the normal train schedules were being maintained for civilian travel. No rolling stock is allowed outside the country, and automobiles have been requisitioned to supplement the railroads in moving Germany's 2,500,000 men to the frontiers, providing them with daily food supplies, and supplying factories.

Despite the bad psychological effect of the ration cards, Nazi officials declare it is the only way to ensure orderly distribution during an emergency. Meat consumption will be curtailed about 25% during the first few months; milk and fats about 30%; and sugar 40%. After Sept. 1, it will be impossible to buy gasoline for private automobiles unless it can be proved that the car is necessary for business.

There are no disturbances, but long queues of people are lined up at savings banks trying to withdraw deposits in order to lay in surplus supplies, retail shops are crowded, and there is a greater atmosphere of gloom than has been apparent in Berlin for a long time.

Business in Canada

OTTAWA (Business Week Bureau)—Canadian mounties took to the water this week to stop a German freighter which attempted to flee from Canada without unloading its cargo when Berlin flashed a warning for all German ships to head for home or for friendly ports.

And armed guards patrolled the locks of the busy canals which connect the Great Lakes with the Atlantic.

But Canadians were generally more concerned over the sharp, though temporary, slump in sterling which pulled the Canadian dollar to a considerable discount for a few days. With an estimated \$1,500,000,000 of more or less "hot money" in the country, support for the currency becomes a real problem in case of a permanent drop in the British pound.

Toronto and Montreal banking houses and United States branch offices were flooded with requests from below the border for information. New York bankers are known to have formed a special committee to deal with any emergency situation in the foreign exchange market, and are relatively sanguine over the outlook for the Canadian currency because of the prospect of heavy war orders from Britain, of continued mining and industrial expansion at home, and because the Dominion is comparatively safe from possible bombing raids.

In Ottawa, it is believed that Canada will go on a war footing almost immediately if Britain is sucked into a European conflict. The government has made no announcement that Canada will fight alongside Britain, but this silence has internal significance only. It is designed to prevent any open division of Canadian sentiment regarding participation. Canada is ready to play an active role. The War Measures Act is ready to be put into immediate effect, which will mean the same sort of controls over business as is contemplated by the War Resources Board recently created in the United States.

Profits for Heavy Industry

Though leaders in the Canadian Manufacturers' Association are still protesting that the Dominion lost an important share of Britain's rearmament orders during the last two years because the Ottawa government, in its extreme anxiety not to become involved in any European entanglements, refused to act officially as Britain's agent, nevertheless, manufacturers look for a steady influx of European business, particularly in the heavy industries, and more British and United States branch plants are expected to be established in the Dominion to insure themselves a share in the profits (BW—Jul 29 '39, p36).

The John Inglis Co., of Toronto, which last year secured important machine gun orders from the British and Canadian governments, has secured Canadian rights to manufacture products of Worthington Pump & Machinery Corp., Buffalo; Lake Erie Engineering Corp., Buffalo; and Erie City Iron Works, Erie City. And the Marconi Co., of England, is arranging with Canadian Marconi for reserve supplies in case of trouble.

License Control of Exports?

Dominion mining business is booming on bloated demand for all kinds of raw materials. Britain has been a heavy purchaser of aluminum, copper, and nickel. Japan has been after aluminum and nickel. Increased shipments of Canada's minerals to the Scandinavian countries are believed to be going, ultimately, to Germany. This accounts for the renewed discussions in Ottawa of a plan for putting all strategic materials on an export license basis.

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THE TRADING POST

For the Social Workers

IS THE ISSUE of July 29, I noted a speech that had been made to a convention of some 5,000 social workers, urging them to go into politics in order to promote larger public appropriations for welfare. I said that such activities make the average man feel that social workers, as professional spenders, are interested only in getting more and more money to spend, that they feel no responsibility for either the health of the economic system that must provide it or the political abuses that creep into its spending.

This week I turn over this page to Fred K. Hoehler, director of the American Public Welfare Association, who submits what he justly terms "a mild and friendly protest." I quote Mr. Hoehler:

"You refer to a speech at the National Conference of Social Work in Buffalo in which social workers were urged to 'go into politics' in order to promote the welfare movement. There is certainly a feeling that you regard this somehow as being reprehensible. It has always appeared to me eminently desirable that persons devoted to the public services should be deeply interested in politics, so as to counteract the efforts of those who are motivated by personal considerations.

"You also imply that social workers are responsible for suggesting sources of funds to finance welfare activities. As a matter of fact, there has been discussion of this problem at practically every conference of social workers for the last five years. The reason why this has not been given a great deal of publicity is fairly obvious. Social workers are not experts in public finance and they regard the fact as interested citizens. They have some definite ideas, but are naturally hesitant to put them forward.

"It may be said, generally, that social workers regard the sales tax as an unfortunate type of tax falling disproportionately on persons of low income. They would rather see an increased amount of revenue from the income tax, perhaps along the lines of the LaFollette proposal.

"Certainly social workers cannot be criticized for attempting to provide more and better welfare services, when they see, in the performance of their daily jobs, people trying to live on budgets which literally permit starvation. They would be almost criminally negligent if they did not make some effort to provide a bare minimum of subsistence for these people.

"It cannot be denied that there is some waste in relief administration just as there is in other fields of government and in private enterprise. However, in at least one large southern city, it has been

fairly definitely established that more money is wasted in paying salaries to local politicians in the city water department than the total amount expended for relief. When social workers see these things they are bound to feel that more funds can be made available for welfare services without plunging us into a ruinous spending program.

"The comment that would seem to most social workers particularly uncalled for is the statement that they should make some attempt to eliminate political racketeering from the administration of public welfare. I am sure that their feelings would be like those of a director of a fire-prevention bureau who is assailed because careless citizens still permit their furnaces to overheat or forget to turn off electric irons when they leave on vacations.

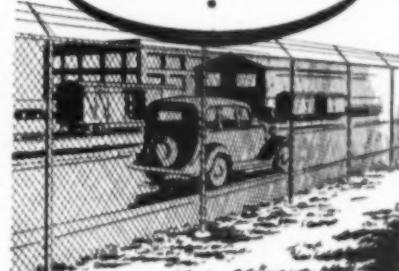
"Any examination of the record will prove beyond a doubt that no group in public administration, with the possible exception of civil service commission employees, is more vocal or more active in fighting political attempts to dominate the administration of public services. Within the past few months at least a half dozen prominent social workers, with responsible public positions, have resigned as a protest against encroachment by both party machines on the administration of public welfare services. The magnitude of the relief problem and the considerable sums of money necessary to deal with it are extremely attractive to partisan politicians. So far as I have observed, very little constructive work has been attempted toward eliminating politics from relief except by individual social workers and their organizations. Social workers generally need help rather than criticism in resisting this sort of encroachment.

"As a matter of fact, things are not always what they seem and this is particularly true in the public relief field. As one who has been close to these problems throughout the past several years, I feel that it is unfortunate that this type of criticism should be directed at a profession which has labored long and hard under the most trying circumstances to improve the welfare of the people of this country. Just so the record may be clear, may I say that I can make the above statements without transgressing the bounds of modesty, since I am not a social worker myself.

"I hope you will give some recognition to this viewpoint in your column, since we need to help each other in developing in this country a sane and sound public welfare program based on intelligent planning rather than emotional reaction."

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September 2, 1939

Bad Business for Everybody

LET'S TRY TO MAKE a business-like appraisal of this bill of war goods that's being sold to the world. It's a job on which business acumen is badly needed to match political lubricity.

We are told that Hitler is just what the democracies had coming to them for their refusal to give democratic Germany a chance to pull its chin up after the humiliation of Versailles.

That's true, but it's water over the dam now.

We are asked how we would like it if Los Angeles were cut off from the United States by a Mexican corridor.

We wouldn't—but Danzig, which provokes the ingenious question, has little to do with the real issue in this European crisis.

That issue, as Americans will inevitably define it, is whether the National Socialist Party of Germany shall be allowed to remake the world according to its desires and by its familiar tactics.

ANY BUSINESS-LIKE APPRAISAL of the situation into which that issue has been flung ought to be, at least, as realistic as Hitler's was when he was wooing German business men, instead of foreign statesmen. In "Mein Kampf," he wrote:

"No nation on earth holds a square yard of territory by any right derived from heaven. Frontiers are made and altered by human agency alone. The fact that a nation succeeds in acquiring an unfair share of territory is no superior reason for its being respected forever. It merely proves the strength of the conqueror and the weakness of those who lose by it. This strength alone constitutes the right to possess."

That's the old Teutonic gospel of "might makes right." It's hard for us to take but Germany has taken it now as she took it in 1914. And the Allies took it in 1919, when, among other things, the French general staff drew the boundaries of Czechoslovakia to include the solidly German Sudeten region. Nobody has yet proved that it isn't accepted gospel all over Europe today and we'll be safer if we go on that basis, no matter what the propaganda machines grind out.

But, if we do go on that basis, it doesn't commit us to the Führer's case.

"Danzig and the Corridor" and "revision of the dictate of Versailles" are just phrases. What the Nazi party—which doesn't mean Germany—wants is, first, progressive domination of Eastern Europe. After the Corridor, all of Poland—just as, after the Sudeten-

land, all of Czechoslovakia. After Poland, then Hungary, Rumania, and all the Balkans. That's what is in Hitler's book of the future and it's safe to say that that much is no more than the first chapter. The rest of it is a forcible redivision of the world into new empires, each held partly by arms and partly by propaganda and economic influence, with the totalitarian states wrenching away all the gains and the democracies suffering all the losses.

If you are willing to go through that, vote for Hitler; but you should do it clear-sightedly and not under the impression that you are just voting against the decision of Versailles on Danzig.

MAYBE GERMANY has a "right" to force this redivision of the world; certainly an argument can be made for the world's "have-nots." But whatever the justice of Hitler's case, we had better look first at the cost of pressing it by his methods.

Hitler's case is a case for progressive revolution and a world turned upside down. The opposition's case is one for the forcible maintenance of as much of the *status quo* as possible, tempered by the knowledge that, in time, some evolutionary adjustment must be made. The United States can say, "A plague o' both your houses," but her hard-boiled interests inevitably lie on the side that promises the least disturbance in the world from which she gets her living. That's the American case.

If the Hitler wind can now be taken out of Germany's sails, that country still has enough headway to go a long distance in improving its economic position; in time, the Allies have got to make more concessions to this nation of 90 millions, and they can be made peacefully. If the big blow continues, we are in for more and more of the same kind of thing that we have been having this week. And that's bad business for everybody.

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